

CA-IR-617

Ref: HECO response to CA-IR-260 & HECO-1605 (Rent Expense).

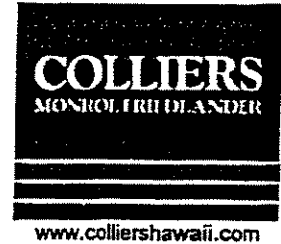
Please provide the following:

- a. Original HECO-1605 took into account the rent that had been waived for January and February for CPP Suites 700, 1520 and 1530. Revised HECO-1605 (CA-IR-260) does not recognize this waiver. Please explain and reconcile this change in position.
- b. Revised HECO-1605 (CA-IR-260) reflects updated monthly rental rates and monthly CAM rates for the CPP suites. Please provide a copy of the negotiated lease amendments supporting these rates.
- c. Referring to item (b) above, please provide a copy of any related correspondence or other documentation regarding the determination of fair market value rental rates used for the CPP suites.
- d. Please confirm that the Annual Property Tax Credit arises from the fact that the property

waiver of rent for January and February did not include the waiver of CAM charges for those months.)

- b. Due to its voluminous nature, one copy each of the negotiated lease amendments and agreements will be provided to the Consumer Advocate and the Commission under separate transmittal. Final amendments for Suites 1010, 1480, and 1515 have not yet been received and Suites 700, 1300, 1520 & 1530 are still awaiting landlord approval. Monthly CAM charges for all CPP Suites except for Suites 1020, 1025 & 1075, 1250 & 1270 and the HEIPC lease are provided on pages 4-13. Suites 1020, 1025 & 1075 and 1250&1270 are new leases that reflect the new CAM rates. The HEIPC Sublease amounts are included as part of HEI's inter-company billing.
- c. A copy of available correspondence regarding the determination of fair market value rental rates used for the CPP Suites is provided on page 14.
- d. Yes, the annual real property tax credit arises from the fact that HECO is exempt from paying real property taxes on space used by the utility.
- e. CPP's Estimated 2005 Operating Expenses Report, which itemizes the building operation expenses, is provided on page 15. The real property tax shown on this report was used to

2. The amounts in column (g) were estimated using a 3% escalation of the 2003 operating expense reconciliation amount per square foot.
3. The financial statements will reflect estimated rent amounts until the true-up is completed.
4. The CAM rate set forth in column (d) represents the estimated CAM per square foot for 2005. As explained in g.1., the operating expense reconciliation represents a true-up of



CENTRAL PACIFIC PLAZA
2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 700

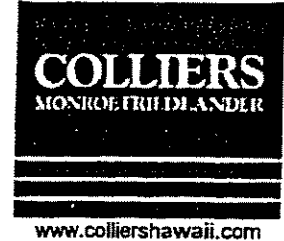
Operating Expense Pro-rata Share: 7,598 square feet of 232,959 total square feet = 3.2615%

1.	Annual Share of Operating Expenses: \$2,726,406 * 3.2615%	= \$	88,922.00
2.	Monthly Share of Operating Expenses: (divide line 1 by 12 months)	= \$	6,001.27

<u>January CAM Adjustment</u>			
3.	New 2005 Monthly CAM	= \$	6,001.27
4.	CAM billed in January	= \$	(6,296.00)
5.	January CAM adjustment	= \$	(294.73)

Should you have any questions, please contact Carmen L. Magno at 521-6024.

* Please note that these amounts are rounded to the nearest whole cent.



CENTRAL PACIFIC PLAZA
2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 1010

Operating Expense Pro-rata Share: 4,509 square feet of 232,959 total square feet = 1.9355%

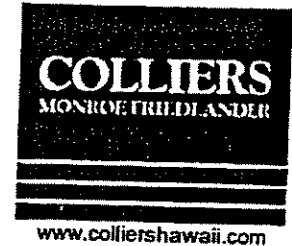
1.	Annual Share of Operating Expenses: \$2,726,406 * 1.9355%	= \$	52,771.00
2.	Monthly Share of Operating Expenses: (divide line 1 by 12 months)	= \$	3,561.46

January CAM Adjustment

3.	New 2005 Monthly CAM	= \$	3,561.46
4.	CAM billed in January	= \$	(3,736.33)
5.	January CAM adjustment	= \$	(174.87)

Should you have any questions, please contact Carmen L. Magno at 521-6024.

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2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 1201

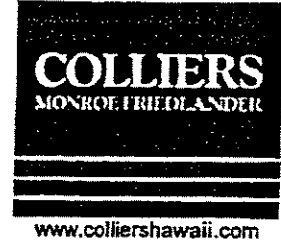
Operating Expense Pro-rata Share: 2,058 square feet of 232,959 total square feet = 0.8834%

1.	Annual Share of Operating Expenses: \$2,726,406 * 0.8834%	= \$	24,086.00
2.	Monthly Share of Operating Expenses: (divide line 1 by 12 months)	= \$	1,625.55

<u>January CAM Adjustment</u>			
3.	New 2005 Monthly CAM	= \$	1,625.55
4.	CAM billed in January	= \$	(1,705.34)
5.	January CAM adjustment	= \$	(79.79)

Should you have any questions, please contact Carmen L. Magno at 521-6024.

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CENTRAL PACIFIC PLAZA
2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 1212

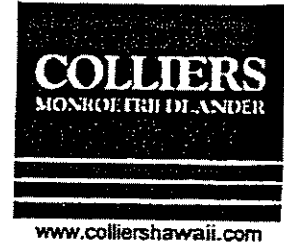
Operating Expense Pro-rata Share: 813 square feet of 232,959 total square feet = 0.3490%

1.	Annual Share of Operating Expenses: \$2,726,406 * 0.3490%	= \$	9,515.00
2.	Monthly Share of Operating Expenses: (divide line 1 by 12 months)	= \$	642.15

<u>January CAM Adjustment</u>			
3.	New 2005 Monthly CAM	= \$	642.15
4.	CAM billed in January	= \$	(673.69)
5.	January CAM adjustment	= \$	(31.54)

Should you have any questions, please contact Carmen L. Magno at 521-6024.

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CENTRAL PACIFIC PLAZA
2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 1300

Operating Expense Pro-rata Share: 9,601 square feet of 232,959 total square feet = 4.1213%

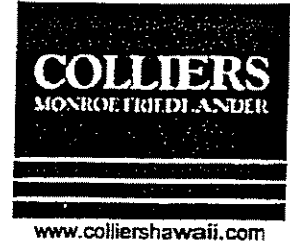
1.	Annual Share of Operating Expenses: \$2,726,406 * 4.1213%	= \$	112,364.00
2.	Monthly Share of Operating Expenses: (divide line 1 by 12 months)	= \$	7,583.42

January CAM Adjustment

3.	New 2005 Monthly CAM	= \$	7,583.42
4.	CAM billed in January	= \$	(7,955.76)
5.	January CAM adjustment	= \$	(372.34)

Should you have any questions, please contact Carmen L. Magno at 521-6024.

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CENTRAL PACIFIC PLAZA

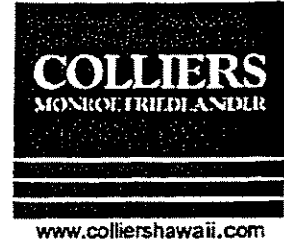
2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 1425

Operating Expense Pro rata Share: 2,742 square feet of 922,050 total square feet = 2.97%



CENTRAL PACIFIC PLAZA
2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 1480

Operating Expense Pro-rata Share: 1,242 square feet of 232,959 total square feet = 0.5331%

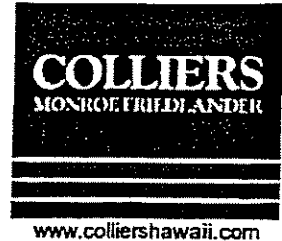
1.	Annual Share of Operating Expenses:	= \$	14,536.00
	$\$2,726,406 \times 0.5331\%$		
2.	Monthly Share of Operating Expenses:	= \$	980.97
	(divide line 1 by 12 months)		

<u>January CAM Adjustment</u>			
3.	New 2005 Monthly CAM	= \$	980.97
4.	CAM billed in January	= \$	(1,029.17)
5.	January CAM adjustment	= \$	(48.20)

3.	New 2005 Monthly CAM	= \$	980.97
4.	CAM billed in January	= \$	(1,029.17)
5.	January CAM adjustment	= \$	(48.20)

Should you have any questions, please contact Carmen L. Magno at 521-6024.

* Please note that these amounts are rounded to the nearest whole cent.



CENTRAL PACIFIC PLAZA
2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 1515

Operating Expense Pro-rata Share: 732 square feet of 232,959 total square feet = 0.3142%

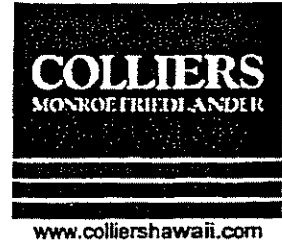
- | | | |
|---|------|----------|
| 1. Annual Share of Operating Expenses: | = \$ | 8,567.00 |
| $\$2,726,406 \times 0.3142\%$ | | |
| 2. Monthly Share of Operating Expenses: | = \$ | 578.16 |
| (divide line 1 by 12 months) | | |

January CAM Adjustment

- | | | |
|---------------------------|------|----------|
| 3. New 2005 Monthly CAM | = \$ | 578.16 |
| 4. CAM billed in January | = \$ | (606.57) |
| 5. January CAM adjustment | = \$ | (28.41) |

Should you have any questions, please contact Carmen L. Magno at 521-6024.

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CENTRAL PACIFIC PLAZA
2005 Common Area Maintenance (CAM) Charge

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the operating budget. The new CAM charge is reflected on your February billing statement as well as an adjustment to the amount billed in January.

TENANT: Hawaiian Electric Co., Inc.

SUITE: 1530

Operating Expense Pro-rata Share: 2,451 square feet of 232,959 total square feet = 1.0521%

1.	Annual Share of Operating Expenses: \$2,726,406 * 1.0521%	= \$	28,685.00
2.	Monthly Share of Operating Expenses: (divide line 1 by 12 months)	= \$	1,935.91

January CAM Adjustment

3.	New 2005 Monthly CAM	= \$	1,935.91
4.	CAM billed in January	= \$	(2,031.00)
5.	January CAM adjustment	= \$	(95.09)

Should you have any questions, please contact Carmen L. Magno at 521-6024.

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We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the budgeted. The new CAM charge is reflected on your February billing statement.

We have completed the 2005 operating budget for Central Pacific Plaza. Detailed below is the breakdown of your new CAM charge for the 2005 calendar year based on the budgeted. The new CAM charge is reflected on your February billing statement.

Hawaiian Electric Company, Inc. • PO Box 2750 • Honolulu, HI 96840-0001



March 2, 2004

Ms. Arlene P. Reis
Property Manager
Colliers Monroe Friedlander Mgmt., Inc.
220 South King Street, Suite 1800
Honolulu, Hawaii 96813

Re: Central Pacific Plaza – Suite 1515 & 1570
Second Amendment of Lease – Base Rent Renewal

Dear Ms. Reis:

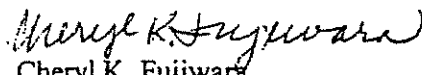
Our rents for Suites 1515 & 1570 are up for renegotiation effective for March 1, 2004 through November 30, 2006. However, we had not received a letter proposing new base rents as we had in the past.

We just received the rental statements for March 2004 and noted that the base rents remained the same at \$1.48 per rentable square foot per month.

However, we do not agree that the proposed rent of \$1.48 per rentable square foot per month is reflective of the fair market rent in the downtown area. We feel that the market rate is still in line with what we negotiated for suites 1480 and 1010, and that our rents for Suites 1515 & 1570 should be consistent with that at \$1.25 per rentable square foot per month. Thus, we feel that it is reasonable to set our base rent for the period March 1, 2004 through November 30, 2006 at \$1.25 per rentable square foot per month.

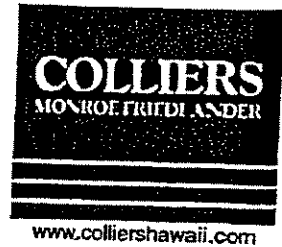
If acceptable, please acknowledge by signing below and returning a copy to our office. We look forward to hearing from you.

Sincerely,


Cheryl K. Fujiwara
Director
Facilities Operations & Planning

Agreed & Accepted:

By _____
Its



**CENTRAL PACIFIC PLAZA
2005 Operating Expenses**

CAM Expenses	2005 Budget
A/C Maintenance	38,404
Depreciation	152,401
Electrical Maintenance	3,750
Electricity	622,983
Elevator Maintenance	114,682
Energy Management	12,265
Fire Alarm Service	4,400
General Maintenance - Engineering Services	221,388
General Maintenance - Other	36,768
Insurance	153,957
Janitorial Maintenance	306,861
Landscaping	11,440
Management Fee	174,564
Miscellaneous	5,828
Pest Control	2,300
Professional Fees	8,800
Real Property Tax	509,318
Refuse Collections	23,275
Restroom Supplies	37,519
Security	260,664
Water & Sewage	24,838
Total CAM Expenses - Normalized	2,726,406

CENTRAL PACIFIC PLAZA

HONOLULU, HAWAII

OFFICE LEASE

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CENTRAL PACIFIC PLAZA
HONOLULU, HAWAII

OFFICE LEASE

SPECIFIC PROVISIONS

THIS LEASE, made and entered into this 15th day of February, 2005, by and between **CENTRAL PACIFIC BANK, a Hawaii corporation, doing business as CENTRAL PACIFIC PLAZA**, whose principal place of business and post office address is **220 South King Street, Honolulu, Hawaii 96813**, hereinafter called "Landlord" and **HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation**, whose principal place of business and post office address is **900 Richards Street, Honolulu, Hawaii 96813**, hereinafter called "Tenant",

WITNESSETH:

SECTION 1. SPECIFIC PROVISIONS. The following entries constitute certain specific provisions of this lease and are referred to elsewhere herein:

- 1.1. Floor(s) on which Premises are located: **10th**
- 1.2. Suite number: **1020, 1025 and 1075**
- 1.3. Subject to confirmation by the parties in the written memorandum attached hereto as Exhibit "G", the Area of Premises shall be:
 - 1.3.1. Approximate usable area of Tenant's Premises: **3,947 sq. ft.**
 - 1.3.2. Approximate proportionate share of common area + **585 sq. ft.**
 - 1.3.3. Approximate "rentable area" of Tenant's Premises: **4,532 sq. ft.**
- 1.4. Subject to confirmation by the parties in the written memorandum attached hereto as Exhibit "G", Tenant's present share of the rentable area of the entire CENTRAL PACIFIC PLAZA: **1.9454%**.

- 1.5. The term of this lease shall be **FIVE (5) YEARS** and shall commence on the **1st day of February, 2005**, (the "Lease Commencement Date"), and end on the **31st day of January, 2010**, inclusive, subject to the provisions of Section 8 hereof.
- 1.6. Monthly Rent: Subject to confirmation by the parties in the written memorandum attached hereto as Exhibit "G", monthly rent shall be the sum of
 - 1.6.1. Base rent in the amount of **\$0.00 per month from the Lease Commencement Date to March 31, 2005**.

Base rent in the amount of **\$5,665.00 per month from April 1, 2005, to January 31, 2006**.

Base rent in the amount of **\$5,891.60 per month from February 1, 2006, to January 31, 2007**.

Base rent in the amount of **\$6,118.20 per month from February 1, 2007, to January 31, 2010**.
 - 1.6.2. Additional rent of **\$4,350.72 per month from the Lease Commencement Date to January 31, 2010**, representing Tenant's share of estimated operating expenses subject to adjustment as set forth in Section 30 hereinbelow; and
 - 1.6.3. Hawaii State General Excise Tax (as provided for and subject to adjustment under Section 5.6 of this lease).
- 1.7. Subject to confirmation by the parties in the written memorandum attached hereto as Exhibit "G", the Security Deposit described in Section 32 shall be: **\$-0-**.
- 1.8. Tenant's use of Premises shall be for the following purpose(s) only:
General office use.

SECTION 2. EXHIBITS. The following drawings and special provisions are attached hereto and made a part of this lease:

- Exhibit "A": General Lease Provisions.
- Exhibit "B": Floor Plan Outlining the Premises.
- Exhibit "C": Rules and Regulations Pertaining to CENTRAL PACIFIC PLAZA.
- Exhibit "D-1": Tenant Work Letter.
- Exhibit "E": Base Building Core and Shell Definition.
- Exhibit "F": Building Standard Specifications.

Exhibit "G": Confirmation of Lease Terms.
Exhibit "H": Guaranty -- NOT APPLICABLE.

SECTION 3. SPECIAL TERMS AND CONDITIONS. The following special terms and conditions are applicable:

- 3.1. Landlord's Work & Base Building Improvements. Landlord, at Landlord's expense, shall install, furnish and perform all of the facilities, material and work required for the completion of Base Building Improvements ("Landlord's Work") as more particularly described in the Base Building Core and Shell Definition attached hereto as Exhibit "E".
- 3.2. Tenant Improvements. Tenant's improvements shall be performed in accordance with the Tenant Work Letter attached hereto as Exhibit "D-1", and Tenant shall oversee, supervise and be responsible for all planning, design (subject, however, to Landlord's approval thereof) ~~and construction of all Tenant improvements. Tenant's~~

reimbursed and any portion of the allowance that would have been allocated to such invoices shall be forfeited.

All improvement work must meet with Landlord's requirements under the Lease and City and County code requirements, be done under a valid building permit, and be performed by an insured, licensed and bonded contractor. All building plans, except minor changes costing less than \$1,000.00, shall be submitted prior to commencement of construction for Landlord's written approval, which will not be unreasonably withheld.

In addition, Tenant has \$29,475.00 of unused tenant improvement allowance ("Additional TIA") allocated to Suite 1010 in the Building which is currently occupied by Tenant. This Additional TIA may be used by Tenant for any leasehold improvements to the Premises. The Additional TIA may only be used in accordance with the terms set forth in this Section 3.2.

- 3.3. For purposes of Section 15.2.8 herein, the rate of interest shall be twelve percent (12%) per year.
- 3.4. Insurance: With respect to Section 29, Tenant shall furnish Landlord with current certificates of such insurance, and shall name Landlord and its Managing Agent (if any) as additional insureds.
- 3.5. Early Occupancy. Provided this lease has been fully executed and Landlord has received insurance policies required in this lease substantiating coverage in the required amounts commencing on the date Tenant is allowed early access to the Premises, Landlord shall permit Tenant early access to the Premises prior to the actual lease commencement date for Tenant's planning and to begin construction. Tenant agrees to be bound by all terms of this lease except for the rental payments which are waived during this early access period. All of Tenant's demolition, renovation or construction within the Premises is contingent upon Tenant first receiving Landlord's approval of Tenant's plans and specification of said improvements. Tenant shall submit a set of its working plans and specifications at its earliest convenience for Landlord's review and Landlord's response shall not be unreasonably delayed.
- 3.6. Parking. Landlord agrees to provide Tenant with six (6) unreserved parking stalls during the term of this lease at the prevailing rates. The rental rate is currently \$155.00 per stall per month, plus general excise tax (currently 4.166%) and is subject to change from time to time in Landlord's discretion.

- 3.7. Contingency. Tenant acknowledges that Landlord needs a minimum of thirty (30) calendar days to deliver Suites 1025 and 1075. Upon full execution of this lease, Landlord shall proceed in vacating Suites 1025 and 1075 for Tenant's occupancy. The commencement of the portion of this lease that is applicable to Suites 1025 and 1075 shall be contingent upon Landlord successfully obtaining a cancellation of lease from the current tenants of said space.
- 3.8. Sublease. In addition to the compliance by Tenant with Section 20 of the General Provisions, the specific use of any sublessee and the impact to the Building (and other tenants) shall be of substantive consideration in Landlord providing consent.
- 3.9. Section 16.4 of the General Provisions of this Lease is hereby amended in its entirety to read as follows:

In the event any repairs become necessary to the structural portions of the Premises, then upon written notice from Tenant to Landlord stating the necessity therefor and the nature thereof, Landlord, with reasonable promptness after receipt of such written notice, shall make any such necessary repairs specified in such notice. Landlord shall not be required to make repairs to the interior surfaces of the Premises, except where damage to such interior surface has resulted from Landlord's intentional or willful acts, omissions or defects or which were otherwise required to be kept in repair by Landlord; all damage and repairs thereof shall be insured against by Tenant with Landlord as an additional insured. Landlord may make any alterations, additions or capital improvements which Landlord may deem necessary for the preservation, safety or improvement of the Premises or the Building, or to comply with any laws, codes, regulations or ordinances now or hereafter in effect, or for the purpose of reducing energy requirements; and if such is done to comply with any such law, code, regulation or ordinance or for the purpose of reducing energy requirements, the cost thereof shall be deemed to be a part of the operating expenses for the CENTRAL PACIFIC PLAZA as provided in Section 30 hereinbelow.

therefor prepared by and at the expense of Tenant. No work shall be commenced by Tenant until Tenant's final plans and specifications for the Premises and for connections to utility systems existing in the Building have been submitted to Landlord for review and have been approved in writing by Landlord. All work shall comply with all applicable building codes, ordinances and regulations. Before commencing any work, the Tenant shall provide Landlord with a copy of Tenant's contract with the contractor and shall furnish evidence satisfactory to Landlord that Tenant is financially able to pay the said contractor. Unless the cost thereof shall be less than ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00), before commencing construction of any improvements in the Premises, Tenant shall furnish to Landlord a copy of a bond in an amount, in form, and with a surety acceptable to Landlord naming Landlord and Tenant as obligees and insuring completion of the proposed work free and clear of all mechanics' and materialmen's liens. Tenant will pay to Landlord a reasonable fee for review and approval of said plans and specifications, including any fees charged by an architect or engineer employed by Landlord for such review. Upon completion of construction, Tenant shall provide Landlord with a set of final plans and specifications of the improvements as constructed. Unless otherwise agreed, Tenant shall maintain the Premises and utility systems available to and designated for the Premises in the condition they existed upon the date of Tenant's inspection thereof, reasonable wear and tear excepted.

3.11. Section 16.8 of the General Provisions of this Lease is hereby amended in its entirety to read as follows:

Landlord hereby warrants that, to the best of its knowledge, no asbestos containing materials ("ACM") were used in the original construction of the ceiling, walls and insulation of the Premises. Landlord, at its sole discretion, may withhold consent to any repairs, modifications, alterations or construction within the Premises which in Landlord's opinion may result in the introduction of ACM or other Hazardous Material. In the event ACM or other Hazardous Material is discovered in or about the Premises, or in the event ACM or other Hazardous Material must be removed and Tenant's use of the Premises is affected thereby, this lease shall not be void or voidable, nor shall such discovery or work be construed as a constructive eviction unless 50% or more of the Premises is not usable. Tenant shall continue to observe all terms and conditions of this lease, except that the rent herein shall be reduced, as of the date of the interference with Tenant's use of the Premises until the date full use of the Premises is restored to Tenant, in the same proportion as the rentable area of the Premises shall have been reduced. All costs of any inspection, testing, removal, abatement, restoration, compliance with laws and regulation and monitoring due to ACM or other Hazardous Material incurred by Landlord with respect to the Premises shall be included as a Special Tenant expense as defined in

Section 30. Anything herein to the contrary notwithstanding, Landlord shall not be liable for any damages due to ACM or other Hazardous Materials within the Premises or the Building, and Landlord shall not be responsible or liable for interruption of services, loss profits or any other damages due to ACM or any other Hazardous Materials.

Tenant covenants and agrees to clean-up, remove, mitigate and take any other action respecting Hazardous Materials or ACM which it has installed or brought on the Premises to the extent such clean-up, removal, mitigation, or other action is required of Tenant by the Hazardous Materials Laws. In the event Tenant fails to comply with the requirements of the Hazardous Materials Laws, and as a result of such failure to comply, Landlord, or any mortgagee of Landlord's interest are joined or named in any action, hearing, proceeding or investigation by or before any federal, Hawaii State or municipal authorities or regulatory bodies, Tenant will defend, indemnify and hold harmless each and all of the aforesaid parties against any loss, fines, penalties, damages, injuries and claims due to exposure to ACM or any other Hazardous Material, or costs (including, without limiting the generality of the foregoing, reasonable attorneys' fees and court costs).

Tenant shall not cause or permit any Hazardous Material to be used, stored, generated or disposed of on or in the Premises or the Building by Tenant, Tenant's agents, employees, contractors or invitees without first obtaining Landlord's written consent, which consent may be arbitrarily withheld by Landlord. Tenant shall not discharge, leak or emit, or permit to be discharged, leaked or emitted, any material into the atmosphere, ground, sewer system, or any body of water, if that material (as is reasonably determined by the Landlord, or any governmental authority) does or may pollute or contaminate the same, or may adversely affect (a) the health, welfare, or safety of persons, whether located on the Premises or elsewhere, (b) the condition, use or enjoyment of the Building or any other real or personal property.

Any Hazardous Material permitted on the Premises and all containers therefor, shall be used, kept, stored and disposed of in a manner that complies with all federal, state and local laws or regulations applicable to such Hazardous Material. If Hazardous Materials are used, stored, generated or disposed of on or in the Premises by Tenant except as permitted above, or if the Premises become contaminated in any manner for which Tenant is legally liable (except where Tenant is liable solely on the basis of its interest in the Premises), Tenant shall indemnify and hold harmless the Landlord from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including, without limitation, any and all sums paid for settlement of claims, reasonable attorney's fees, consultant and expert fees) arising during or after the lease Term and arising as a result of that contamination by

Tenant. This indemnification includes, without limitation, any and all costs incurred because of any investigation of the site or any clean-up, removal or restoration mandated by a federal, state or local agency or political subdivision. Without limitation of the foregoing, if Tenant causes or permits the presence of any Hazardous Material on the Premises (except where the Hazardous Material was on the Premises prior to Tenant taking possession) and that results in contamination, Tenant, at its sole expense, promptly shall take any and all necessary actions to return the Premises to the condition existing prior to the presence of any such Hazardous Material on the Premises. Tenant shall first obtain Landlord's approval for any such remedial action. As used herein, the term "Hazardous Materials" means and includes, without limitation, inflammable explosives, radioactive materials, asbestos, organic compounds (including polychlorinated biphenyls), pollutants, contaminants, hazardous wastes, toxic substances or related materials and any substances defined as or included in the definitions for "hazardous substances", "hazardous wastes", "extremely hazardous wastes", "hazardous materials" or "toxic substances" under the following laws, ordinances and regulations ("Hazardous Materials Laws"): Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, the Hazardous Materials Transportation Act, the Clean water Act, the Clean Air Act, the Toxic Substances Control Act, the Safe Drinking Water Act, as the same may be amended from time to time, any similar Hawaii State and local laws and ordinances, and regulations now or hereafter adopted, accomplished and promulgated pursuant thereto applying to the Premises or the Building.

3.12. Section 23 of the General Provisions of this Lease is hereby amended in its entirety to read as follows:

23. NONLIABILITY OF LANDLORD. Tenant shall and hereby does assume all risk of loss or damage to furniture, fixtures, supplies, merchandise, and other property, by whomsoever owned, stored or placed in upon or about the Premises and does hereby agree that Landlord will not be responsible for loss or damage to any such property, unless caused by the willful act or gross neglect of Landlord, and Tenant hereby agrees to indemnify and save harmless Landlord from and against any and all claims for such loss or damage, other than damage caused solely by the willful act or gross neglect of Landlord or arising solely out of a defect which Landlord is required hereunder to repair and has failed to remedy within a reasonable time after having been given notice in writing thereof. Without prejudice to the generality of the foregoing, Landlord shall not be liable, unless otherwise grossly negligent, for any damage to any property at any time stored or kept in the Premises or in any other part of the Building, either from rain or from any other water which may leak, issue or flow from any part of the Building, or from the pipes or

plumbing of the same or from any other place or quarter, nor shall Landlord be liable for any damage to property in the Building caused by accident involving the elevators, or for damage of any character arising out of defects of construction either of the Building, or the Premises or any machinery, equipment, electrical wiring or facility therein or failure or breakdown thereof or from lack of repair or proper operation of the same or from any other cause, unless the sole cause is a defect which Landlord is required hereunder to repair and Landlord shall have failed to remedy such defect within a reasonable time after written notice thereof. In any event, Landlord shall not be liable for any damage to Tenant's leasehold improvements, fixtures, personal property, or merchandise resulting from fire or other insurable hazards, regardless of the cause thereof, and Tenant hereby expressly releases Landlord from all liability for such damage. Landlord shall in no way be responsible to Tenant for any loss of property on the Premises, however occurring, or for any damage done to Tenant's effects by Landlord's janitorial personnel or any other employee or any other person. Tenant shall give to Landlord prompt written notice of any accident to, or defect in, any water or other pipes or plumbing, electric lights or fixtures or other fixtures or other equipment or appurtenances of the Premises. Landlord shall not be liable or responsible for any loss or damage sustained by Tenant, Tenant's agents, employees, business guests, invitees, licensees, or subtenants, by reason of the negligence, willfulness or malice of any other tenant, occupant, invitees, licensee or trespasser of the Property, or of any other person.

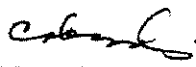
3.13. No Smoking. Tenant understands, acknowledges and expressly agrees that smoking

is limited to the smoking of cigarettes, cigars, pipes or

IN WITNESS WHEREOF, the parties hereto have executed this indenture the day and year first above written.

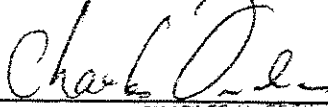
CENTRAL PACIFIC BANK


By 
Name: DENIS K. ISONO
Title: Executive Vice President

By 
Name: CURTIS A. OKAZAKI
Title: Sr. Vice President and Manager,
Properties Division

Landlord

HAWAIIAN ELECTRIC COMPANY, INC.

By 
Name: CHARLES M. FREEDMAN
Title: VICE PRESIDENT

By 
Name: JACKIE MAHI ERICKSON
Title: VICE PRESIDENT

Federal Identification No. 99-0040500

Tenant

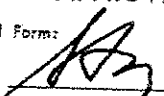
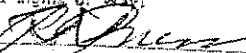
APPROVED	
Legal Form:	
By	
Engineering Department:	
Survey Division	
Initiating Division	
Land & Rights of Way:	
By	

EXHIBIT "A"

GENERAL LEASE PROVISIONS

THE PARTIES COVENANT AND AGREE AS FOLLOWS:

SECTION 4. PREMISES.

4.1. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon the terms and conditions herein set forth, those certain Premises described in Sections 1.1, 1.2, and 1.3, and shown outlined in red on Exhibit "B", situated in the CENTRAL PACIFIC PLAZA situated at 220 South King Street, Honolulu, Hawaii, hereinafter referred to as the "Building." The area so leased is herein called "Premises". In addition to the Premises, Tenant shall, as an appurtenance thereto, have full right of access to the Premises over and across such entrances, lobbies, halls, corridors, stairways and elevators as Landlord may from time to time designate and provide for common use by tenants in the Building.

4.2. Tenant accepts the Premises in its condition existing as of the Lease Commencement Date or the date that Tenant takes possession of the Premises, whichever is earlier, in an "as is" condition. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business. Tenant further acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty, and Landlord hereby disclaims any representation or warranty, as to the physical condition of the Premises (including but not limited to compliance with the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq. and Hawaii Revised Statutes Chapter 489) or anything installed or contained therein, including, but not limited to, any express or implied warranty of habitability, merchantability or fitness for a particular purpose.

4.3. Unless otherwise expressly agreed upon by the Landlord and Tenant, Landlord shall deliver to Tenant and Tenant shall have the right to possess and occupy the Premises on the Lease Commencement Date, and the right to such possession and occupancy shall continue to the expiration date unless and until Tenant shall be in default of any of the terms, covenants and/or

enjoy the rent set forth in Section 1.6 without any deduction therefrom on any account whatsoever. The installment of rent payable for any portion less than all of a calendar month shall be a pro rata portion of the rent payable for a full calendar month.

5.2. All payments of rent after the first payment shall be paid without notice on or before the first day of each and every calendar month during the term hereof or any extension thereof.

5.3. Every installment of rent and every other payment due hereunder from Tenant to Landlord which shall not be paid within ten (10) days after the same shall have become due shall bear interest at the rate of one per cent (1%) per month from the date that the same became due and payable until paid, whether or not demand be made therefor. It is also agreed by Tenant that since collection of any amount past due imposes an administrative cost on Landlord, in addition to any fees of collection agents or attorneys or other out-of-pocket costs, Tenant will pay to Landlord a sum to reimburse Landlord for such administrative costs equal to five cents (\$.05) for every dollar past due as set forth in each billing or other written demand rendered or made by Landlord, computed on the total amount of each such billing or demand but not to exceed one such billing or demand per month.

5.4. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of rent, then at Landlord's option, rent shall automatically become due and payable quarterly in advance, rather than monthly notwithstanding any provision in this lease to the contrary.

5.5. If the rent for the entire lease term has not been fixed and agreed to at the time of execution of this lease, then the basic monthly rent for each successive rental period following the last period for which rent was fixed, shall be determined by mutual agreement. In the event Landlord and Tenant are unable to agree on the basic rental for each period at least three (3) months prior to the date of the commencement of such period, then the basic rental shall be the monthly fair market rental value of the Premises (at least commensurate with rents typical of similar space in other first class office buildings in comparable locations), including amenities offered, but exclusive of any fixtures, equipment, alterations, additions or improvements installed or made by the Tenant, as determined by a real estate appraiser agreed upon by the Landlord and the Tenant, but such rent shall not be less than the basic monthly rent for the prior period. In the event that the Landlord and Tenant are unable to agree upon a real estate appraiser at least sixty (60) days prior to the commencement of such period, then the determination of the aforesaid monthly rent shall be made by three impartial appraisers, one of whom shall be appointed by each of the parties hereto. Either party may give to the other written notice of a desire to have a determination of such fair market rental value and name therein one of the appraisers whereupon the other party shall, within ten (10) days after receipt of such notice, name another appraiser and give notice thereof to the party desiring such determination. In case of failure of the second party to do so, the party who has named an appraiser shall have the

right to apply to any judge of the First Circuit Court of the State of Hawaii to appoint an appraiser, and the two appraisers thus appointed (in either manner) shall select and appoint a third appraiser, and give notice thereof to the Landlord, and the Tenant. In the event the two appraisers so appointed shall within ten (10) days after the naming of the second appraiser fail to appoint the third appraiser, either party may apply to and have such appraiser selected and appointed by the First Circuit Court, and the three appraisers so appointed shall thereupon proceed to determine said fair rental value and the decision of any two of them shall be final, conclusive and binding upon both parties for the particular rental period then under consideration, unless the same shall be vacated, modified or corrected, all as provided in Chapter 658, Hawaii Revised Statutes, as the same is now or from time to time hereafter may be amended, provided, however, that such basic monthly rent for such period shall not be less than the basic monthly rent payable for the preceding period. The parties hereto shall each pay for the services of their own appointee, and shall pay one-half of all other legitimate costs of such determination, other than attorneys' fees and witnesses' fees. If and whenever the fixing of such basic rent is under arbitration, Tenant, pending the determination thereof, shall pay one and one-half (1 1/2) times the same rent which the Tenant had been paying during the last preceding rent period and shall promptly pay the deficiency, if any, when the rent is determined.

5.6. Tenant shall pay to Landlord as additional rent, together with each payment of rent or any other payment required hereunder which is subject to any State of Hawaii general excise tax on gross income, as it may be amended, and all other similar taxes imposed on Landlord on said rent or other payments in the nature of a gross receipts tax, sales tax, privilege tax or the like (excluding federal or state net income taxes) whether imposed by the United States of America, State of Hawaii, or the City and County of Honolulu, or any other duly authorized taxing body, an amount which, when added to such rental or other payment, shall yield to Landlord, after deduction of all such tax payable by Landlord with respect to all such payments, a net amount equal to that which Landlord would have realized from such payments had no such tax been imposed, said additional amount presently being equal to 4.166% of the said rental and other amounts. It is the intent of this provision and of the other provisions of this lease to insure that the rent herein provided to be paid to Landlord by Tenant will be received by Landlord without diminution by any tax, assessment, charge or levy of any nature whatever, except federal and state net income taxes, and the terms and conditions of this lease shall be liberally construed to effect such purpose.

5.7. Tenant shall also pay as additional rent those payments required by the provisions of Section 30, Operating Expenses.

SECTION 6. QUIET ENJOYMENT. Landlord agrees that upon payment of the rent herein provided for, and upon the observance and performance by Tenant of the covenants hereinafter contained and on the part of Tenant to be observed and performed, subject to the provisions of this lease, and any underlying lease and any mortgage on Landlord's estate, Tenant shall peaceably hold and enjoy the Premises for the term hereby demised.

SECTION 7. USE.

7.1. The Premises may be used and occupied only for the purpose(s) set forth in Section 1.8 above and for no other purpose or purposes, except as permitted in writing by Landlord. Tenant shall not permit any business to be operated in or from the Premises by any concessionaire, licensee or subtenant. No use shall be made of the Premises, nor act done in or about the Premises which is illegal, unlawful, improper or offensive, or which will overload the floors or any parts of the Building or increase the existing rate of insurance upon the Building, nor shall any use be made of the Premises which would cause Landlord to be in default under any underlying lease on all or any part of the Building or any mortgage on Landlord's estate. Tenant shall not commit or allow to be committed any strip or waste upon the Premises, or any public or private nuisance or other act or thing which may interfere with or disturb the quiet enjoyment of any other tenant in the Building, nor shall Tenant overload the floor of said Premises. Tenant shall not use any apparatus, machinery or device in or about the Premises which shall cause any substantial noise or vibration. If any of Tenant's office machines and equipment should disturb the quiet enjoyment of any other tenant in the Building, then Tenant shall provide adequate insulation, or take such other action as may be necessary to eliminate the disturbance. Tenant will comply, at its own expense, with all laws, statutes, ordinances, and governmental rules and regulations applicable to the Premises.

7.2. Tenant shall not install or use any machine, apparatus or equipment which may cause heat to be emitted into the surrounding air, other than those in normal office use within the Building, without first obtaining written consent from the Landlord, which consent may be arbitrarily withheld by Landlord respecting any machine, apparatus or equipment emitting material heat.

SECTION 8. POSSESSION.

8.1. In the event of Landlord's inability to deliver possession of the Premises at the commencement of the lease term, Landlord shall not be liable for any damage caused thereby nor shall this lease become void or voidable. In such event, no rent shall be payable by Tenant to Landlord for any portion of the lease term prior to delivery of possession of the Premises, and the date of termination of this lease shall be extended by a period of time equal to the nearest number of full calendar months during which Landlord was unable to deliver possession of the Premises to Tenant. If the termination date is extended as herein provided, the parties agree to enter into a supplemental agreement amending and fixing the term of the lease as herein agreed. Unless otherwise provided for herein, in the event Tenant, with Landlord's permission, enters into possession of the Premises or commences improvements upon the Premises, prior to commencement of the lease term, all of the terms and conditions of this lease, including the payment of rent, shall apply during such prior period.

8.2. For the purposes of this Section, possession shall be deemed to be delivered on the date specified by the Landlord that the Premises are ready for occupancy notwithstanding whether or not

Tenant has completed its improvements to the Premises. Such specification shall be by written notice to Tenant from Landlord.

8.3. Except as may be otherwise herein provided, Tenant, by entering into and occupying the Premises, shall be deemed to have accepted the Premises and to have acknowledged that the same are then in the condition called for by this lease, and are in good order, condition and repair.

SECTION 9. SERVICES PROVIDED BY LANDLORD. Provided Tenant shall not be in default hereunder, Landlord agrees to furnish to Tenant electricity for lighting and normal office use (subject to Section 10 hereof), automatic elevator service, washroom facilities and supplies, and water. Landlord shall also furnish customary and reasonable janitorial and cleaning services on the basis of five (5) days per week (exclusive of holidays) within the Premises, and provide standard fluorescent lighting replacement at reasonable intervals. Landlord shall provide window cleaning services for both sides of the exterior windows of the Building, except for ground floor windows, upon determination by Landlord, at its sole discretion, that such services are required. Air conditioning as may be reasonably required for the comfortable occupation of the Premises will be furnished by Landlord during normal operating hours as specified in the Rules and Regulations attached hereto as Exhibit "C"; provided that Tenant agrees that if the air-conditioning equipment shall fail or break down, Landlord's obligation to so furnish shall be limited to taking reasonable steps to repair or replace the same so as to restore such service. All such services will be provided in accordance with the Rules and Regulations (Exhibit "C"). Except as otherwise herein provided, Landlord will use reasonable efforts to maintain the public and common areas of the Building, such as stairs, lobbies, corridors and restrooms, in good order and condition except for any damage occasioned by act of Tenant, which damage shall be repaired by Landlord at Tenant's expense. Landlord shall not be liable for any damages or for stoppage or interruption of any of said services

mentioned in this Section caused by maintenance, labor disturbances or labor disputes (whether caused by Landlord or otherwise), accidents, repairs, wars, riots or other cause beyond the reasonable control of Landlord, nor shall Landlord be liable under any circumstances, for loss of or injury to persons or property, however occurring, through or in connection with or incidental to the furnishing

determined that Tenant's consumption of electrical power exceeds the "normal power consumption" as set forth in the Building Rules and Regulations, Landlord reserves the right to increase Tenant's rent by the cost of such excess power.

SECTION 11. DAMAGE TO PREMISES.

11.1. In the event the Premises or the Building shall be destroyed or damaged by fire or other casualty, rendering the Premises or the Building untenable, Landlord may at Landlord's option, exercised by written notice to Tenant within ninety (90) days from the happening of the casualty, elect that said damage be repaired. If Landlord does not so elect to repair said damage, this lease may be terminated by either party as of the date of such damage by written notice to the other. If Landlord elects that said damage be repaired, Landlord shall at its own expense promptly repair said damage to the Building, and Tenant shall be entitled to an abatement of the rent, or a fair and just proportion thereof, according to the nature of the damage sustained, until the Premises have been made fit for occupancy and use, unless such damage or destruction was caused by the act or negligence of Tenant, its employees, agents or invitees.

11.2. If Landlord becomes obligated to repair or reconstruct the Premises or the Building, Landlord shall be responsible to repair only such portions of the Building that affect access or services essential to the Premises, and in such case, Tenant shall be solely responsible to repair all damage to the interior of the Premises and any improvements, alterations and additions therein as may have been caused by such casualty. To the extent that the Premises are not fit for occupancy or use by reason of damage that Tenant is obligation to repair hereunder, any abatement of rent to which Tenant would otherwise be entitled hereunder shall not extend later than the time by which Tenant ought to have completed such repairs with reasonable diligence.

11.3. If Landlord becomes obligated to repair or reconstruct the Premises of the Building, Landlord shall be relieved of such obligation and Landlord may terminate this lease if Landlord is unable to obtain the necessary labor or materials, or if Landlord is unable to perform such obligation due to any cause beyond its control, including, but not limited to strikes, lockouts, labor disturbances, acts of civil or military authorities, restrictions by municipal authorities, restrictions by municipal ordinances or federal or state statutes and military activity, riots or civil commotions.

SECTION 12. CONDEMNATION.

12.1. TERMINATION OF LEASE AS TO PORTION TAKEN. Unless otherwise terminated hereunder, if the Premises or any part thereof or interest therein be taken by condemnation (other than a temporary taking which is provided for in Section 12.6) this lease shall terminate as to the part so taken as of the time possession thereof shall vest in the condemnor, whichever shall first occur.

12.2. LANDLORD'S OPTION TO TERMINATE. If (i) the Premises or any part thereof or interest therein is taken by condemnation or (ii) a substantial portion of the Building is taken by condemnation and Landlord shall decide to discontinue the use or operation of the Building, or to demolish, alter or rebuild the same, as a result of such taking, then in any such event stated in (i) or (ii), Landlord shall have the right to terminate this lease by giving Tenant written notice of termination within sixty (60) days after such taking. Any such termination shall be effective as of the last day of the calendar month next following the month in which such notice is given.

12.3. TENANT'S OPTION TO TERMINATE. If more than twenty-five percent (25%) of the Premises is taken by condemnation and if the remaining part is thereby rendered unfit for Tenant's use, Tenant shall have the right to terminate this lease by giving Landlord written notice of termination within fifteen (15) days after possession is lost or title passes, whichever shall first occur. Any such termination shall be effective as of the last day of the calendar month next following the month in which such notice is given.

12.4. REDUCTION OF RENTAL. If part of the Premises is taken by condemnation (other than a temporary taking which is provided for in Section 12.6) and neither Landlord nor Tenant shall terminate this lease as provided herein, then this lease shall continue in full force and effect as to the part of the Premises not taken and the rent herein shall be reduced, as of the date of such taking, to

prorated as of the date of termination of this lease. Tenant covenants that at the termination of any such limited or specified period prior to the expiration or earlier termination of this lease, Tenant will, at its sole cost and expense, restore the Premises and improvements therein as may be reasonably possible to the condition which the same were prior to such taking.

Tenant hereby assigns any condemnation proceeds to Landlord and irrevocably appoints Landlord its attorney-in-fact to collect the same from the condemning governmental authority. In the event of a lump sum award, Landlord shall retain for itself an amount sufficient to equal those amounts payable by Tenant in accordance with the terms hereof. This amount shall be calculated in terms of the present dollar value of the anticipated rental income stream in accordance with recognized standard accounting procedures. In the event the award is made on a monthly basis, Landlord shall retain that amount due it in accordance with the terms hereof. In both cases, any excess shall be paid to Tenant.

SECTION 13. HOLDING OVER.

13.1. WITH LANDLORD'S CONSENT. Any holding over after the expiration of the said term, with the consent of Landlord, shall be construed to be a tenancy from month-to-month, terminable by either party by not less than twenty-eight (28) days' written notice. The monthly rent during such holdover period shall be equal to the higher of (i) the monthly rent and monthly operating and janitorial expenses applicable at the end of the stated term and (ii) the then prevailing

shall pay or cause to be paid for all work performed and material furnished to the Premises or Landlord's reversionary estate therein, and will keep the Premises, Landlord's reversionary estate therein and the Building free and clear of all mechanics' and materialmen's liens.

14.2. Immediately upon any attachment of any lien or entry of final judgment which establishes the validity of the lien and in which Tenant contested the claim of lien, and within fifteen (15) days after the attachment or filing of any lien for record which Tenant does not contest, and in any event, prior to any execution sale, Tenant shall fully pay and discharge such judgment or lien, as the case may be. Further, Tenant shall reimburse Landlord upon demand for any and all loss, damage and expense, including reasonable attorney's fees, which Landlord may suffer or be put to by reason thereof. Nothing contained herein shall prevent Landlord, at the cost and for the account of Tenant, from satisfying any such judgment or lien, as the case may be, in the event Tenant fails or refuses to satisfy the same as herein provided.

14.3. Should any claim or lien be filed against the Premises, or any action or proceeding be instituted affecting the title to the Premises, Tenant shall give Landlord written notice thereof as soon as Tenant obtains knowledge thereof.

SECTION 15. DEFAULT AND RE-ENTRY.

15.1. BY LANDLORD. Notwithstanding any other provision hereof, in the event Landlord fails or refuses to perform any of the provisions, covenants or conditions of this lease on Landlord's part to be kept or performed, Tenant shall, prior to exercising any right or remedy Tenant may have against Landlord on account of such default, give a thirty (30) day written notice to Landlord of such default, specifying in said notice the default with which Landlord is charged. Tenant agrees that if the default complained of in such notice is of such a nature that the same can be rectified or cured by Landlord, but cannot with reasonable diligence be rectified or cured within said 30-day period, then such default shall be deemed to be rectified or cured if within said 30-day period Landlord shall have commenced and thereafter shall prosecute diligently to completion the rectification and curing thereof. This Section does not modify in any way the provisions of Sections 22 and 23 herein.

15.2. BY TENANT.

15.2.1. Notice and Termination; Landlord's Options. In the event that:

(A) Tenant shall fail to pay said rent or any part thereof within thirty (30) days after the same becomes due, whether the same shall or shall not have been legally demanded, or

(B) Any event shall occur which shall be a breach of the section regulating the conduct of the business and use of the Premises and such breach continues beyond twenty-four

(C) Tenant shall fail to observe or perform any of the other covenants herein contained and on Tenant's part to be observed and performed, and such default shall continue for five (5) calendar days after written notice thereof is given to Tenant, or if such default in observance or performance of such other covenant cannot reasonably be cured within said 5-day period, then such longer time as may be required, provided that Tenant shall within said period commence such cure and thereafter diligently prosecute the same to completion.

Disagreement to said rights of re-entry, Landlord may remove all property from the Premises.

such force as may be necessary therefor and may remove all property therefrom without being deemed guilty of any trespass or becoming liable for any loss or damage occasioned thereby. Said rights of re-entry shall be without prejudice to any other right or remedy of action, including summary possession, which Landlord may have for rent or any other indebtedness owing by Tenant hereunder. Whether or not Landlord shall have taken any action above permitted, Landlord may bring an action for summary possession in case of such default, and in any such action, service or prior notice or demand is hereby expressly waived.

In the event of such resumption of possession under this lease, whether by summary proceedings or by any other means, Landlord or any receiver appointed by a court having jurisdiction, may dispossess and remove all persons and property from the Premises, and any property so removed may be stored in any public or private warehouse or elsewhere at the cost and for the account of Tenant, and Landlord shall not be responsible for the care or safekeeping thereof, and Tenant hereby waives any claim or cause of action, any and all loss, destruction, and/or damages or injury which may be occasioned in the exercise of any of the aforesaid acts. After thirty (30) days, property so stored shall be considered abandoned.

Anything contained herein to the contrary notwithstanding, Landlord shall not be deemed to

any notice provided for by law, Landlord, at its option, may either terminate this lease or without terminating this lease re-let the Premises or any portion thereof for such term or terms and at such rent or rents and upon such other terms and conditions as Landlord in its sole discretion may deem advisable. In addition to the foregoing, Landlord shall have the right at Tenant's cost to make such alterations and repairs to the Premises, or to divide or subdivide the Premises, as may be required or occasioned by any such re-letting. In the event Landlord re-lets the Premises or any portion thereof, Landlord may execute any such lease either in its own name or in the name of the Tenant, but Tenant shall not have any right or authority whatsoever to collect any rent from such tenant thereunder.

15.2.3.2. Upon each such re-letting, Landlord shall apply the rents and sums received from such re-letting in the following order: (a) first, to the payment of costs of recovering the Premises, including, without limitation, court costs and reasonable attorney's fees; (b) second, to the payment of any costs and expenses of said re-letting, including, without limitation, the costs of alterations and repairs, dividing and subdividing of the Premises in connection therewith, and the payment of any brokerage commissions or other similar expenses of Landlord in connection with such re-letting; (c) third, the balance, if any, shall then be applied by Landlord, from time to time, but in any event no less often than once each month, on account of the payments of rent and other payments on the part of Tenant due and payable hereunder; and (d) fourth, the residue, if any, shall be paid to Tenant.

15.2.3.3. Landlord reserves the right to bring such actions for the recovery of any deficit remaining unpaid by Tenant to Landlord hereunder as Landlord may deem advisable from time to time without being obligated to await the end of the term hereof for a final determination of Tenant's account. The commencement or maintenance of one or more actions by Landlord in this connection shall not bar Landlord from bringing other or subsequent actions for further accruals pursuant to the provisions of this Section.

15.2.4. Damages on Termination. Should Landlord at any time terminate this lease for any default, breach or failure of Tenant hereunder, then, in addition to any other rights or remedies available to Landlord hereunder or by law provided, Landlord may have and recover from Tenant at the option of Landlord: (a) all damages Landlord may incur by reason of such default, breach or failure, including, without limitation, damages for loss of rent determined, all costs of recovering the Premises, including, without limitation, court costs and reasonable attorney's fees, all unamortized brokerage commissions, all unamortized Tenant improvement costs incurred by Landlord and all costs and expenses of any re-letting, including, without limitation, all costs of alterations and repairs, dividing and subdividing of the Premises in connection therewith, all brokerage commissions or other similar expenses of Landlord in connection with such re-letting; or (b) the worth at the time of termination of this lease of the excess, if any, of the rent and other charges reserved in this lease for the remainder of the term hereof over the then reasonable rental

value of the Premises for the same period. All such amounts under either of the foregoing options, including attorney's fees of Landlord, shall be immediately due and payable by Tenant to Landlord.

15.2.5. Waiver of Default. The waiver by Landlord of any default or breach of any of the provisions covenants or conditions hereof on the part of Tenant to be kept and performed shall not be a waiver of any preceding or subsequent default or breach of the same or any other provision, covenant or condition contained herein. The subsequent acceptance of rent or any other payment hereunder by Tenant to Landlord shall not be construed to be a waiver of any preceding breach by Tenant of any provision, covenant or condition of this lease other than the failure of Tenant to pay the particular rent or other payment or portion thereof so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent or payment.

SECTION 16. REPAIRS AND ALTERATIONS.

16.1. Landlord shall be under no obligation to maintain or to make any repairs, alterations or improvements to or upon the Premises or any part thereof at any time, except as otherwise expressly provided in this lease.

16.2. Tenant, at its sole cost and expense, at all times during the term hereof, shall keep and maintain the Premises, the improvements thereof, and every part thereof in good and sanitary order, condition and repair and in compliance with all applicable laws and regulations, whenever enacted. Tenant shall paint the interior surfaces of the Premises at least once during each five (5) year period of the term hereof and shall perform such maintenance, replacement or repair of wall paper, if any, of the interior of the Premises as may be required and approved by Landlord. Tenant, at its sole cost and expense, shall repair any and all damage to the roof or exterior walls of the Premises and the Building and pay for the replacement of doors, windows, and other fixtures.

to be a part of the operating expenses for the CENTRAL PACIFIC PLAZA as provided in Section 30 hereinbelow.

16.5. Except as may be specially provided herein to the contrary, Landlord has rented and Tenant hereby accepts the Premises, the common areas, and the utility services available to and designated for the Premises in "as is" condition (including any latent conditions); and Tenant agrees by taking possession of the Premises that the Premises are then in a tenantable and good condition. Except as may otherwise be provided herein, Tenant, at Tenant's own expense, shall perform all work and supply all materials necessary to prepare the Premises for occupancy by Tenant, in accordance with plans and specifications therefor prepared by and at the expense of Tenant. No work shall be commenced by Tenant until Tenant's final plans and specifications for the Premises and for connections to utility systems existing in the Building have been submitted to Landlord for

review and have been approved in writing by Landlord. All work shall comply with all applicable building codes, ordinances and regulations. Before commencing any work, the Tenant shall provide Landlord with a copy of Tenant's contract with the contractor and shall furnish evidence satisfactory to Landlord that Tenant is financially able to pay the said contractor. Unless the cost thereof shall be less than ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00), before commencing construction of any improvements in the Premises, Tenant shall furnish to Landlord a copy of a bond in an amount, in form, and with a surety acceptable to Landlord naming Landlord and Tenant as obligees and insuring completion of the proposed work free and clear of all mechanics' and materialmen's liens. Tenant will pay to Landlord a reasonable fee for review and approval of said plans and specifications, including any fees charged by an architect or engineer employed by Landlord for such review. Upon completion of construction, Tenant shall provide Landlord with a

additions and improvements if the plans or specifications therefor are not acceptable to the architect or engineer (if any) retained by Landlord to review the same. In connection with any request for approval as required by the terms of this paragraph, Landlord may charge a reasonable review fee and may retain the services of an architect, consultant or engineer, and the reasonable fees of such architect, consultant and/or engineer shall be reimbursed to Landlord by Tenant. Landlord's approval of any plans and suggestions for the revision thereof shall not be construed to be an agreement or representation on Landlord's part of the adequacy or suitability of the alterations, additions or improvements shown for the intended purposes.

16.8. ASBESTOS AND HAZARDOUS MATERIALS. Landlord hereby warrants that, to the best of its knowledge, no asbestos containing materials ("ACM") were used in the original construction of the ceiling, walls and insulation of the Premises. Tenant shall indemnify, defend and hold harmless Landlord and its employees, agents, engineers, successors and assigns against any and all damages, injuries, claims arising out of any repairs, modifications, alterations or construction within the Premises, including but not limited to, damages, injuries and claims due to exposure to ACM or any other Hazardous Material (as hereinafter defined). Landlord, at its sole discretion, may withhold consent to any such work which in Landlord's opinion may result in the introduction of ACM or other Hazardous Material. In the event ACM or other Hazardous Material is discovered in or about the Premises, or in the event ACM or other Hazardous Material must be removed and Tenant's use of the Premises is affected thereby, this lease shall not be void or voidable, nor shall such discovery or work be construed as a constructive eviction. Tenant shall continue to observe all terms and conditions of this lease, except that the rent herein shall be reduced, as of the date of the interference with Tenant's use of the Premises until the date full use of the Premises is restored to Tenant, in the same proportion as the rentable area of the Premises shall have been reduced. All costs of any inspection, testing, removal, abatement, restoration, compliance with laws and regulation and monitoring due to ACM or other Hazardous Material incurred by Landlord with respect to the Building shall be included as an operating expense as defined in Section 30. Anything herein to the contrary notwithstanding, Landlord shall not be liable for any damages due to ACM or other Hazardous Materials within the Premises or the Building, and Landlord shall not be responsible or liable for interruption of services, loss profits or any other damages due to ACM or any other Hazardous Materials.

Tenant covenants and agrees to clean-up, remove, mitigate and take any other action respecting Hazardous Materials to the extent such clean-up, removal, mitigation, or other action is required by the Hazardous Materials Laws. In the event Tenant fails to comply with the requirements of the Hazardous Materials Laws, and as a result of such failure to comply, Landlord, or any mortgagee of Landlord's interest are joined or named in any action, hearing, proceeding or investigation by or before any federal, Hawaii State or municipal authorities or regulatory bodies, Tenant will defend, indemnify and hold harmless each and all of the aforesaid parties against any loss, fines, penalties, damages or costs (including, without limiting the generality of the foregoing, attorneys' fees and court costs).

Tenant shall not cause or permit any Hazardous Material to be used, stored, generated or disposed of on or in the Premises or the Building by Tenant, Tenant's agents, employees, contractors or invitees without first obtaining Landlord's written consent, which consent may be arbitrarily withheld by Landlord. Tenant shall not discharge, leak or emit, or permit to be discharged, leaked or emitted, any material into the atmosphere, ground, sewer system, or any body of water, if that material (as is reasonably determined by the Landlord, or any governmental authority) does or may pollute or contaminate the same, or may adversely affect (a) the health, welfare, or safety of persons, whether located on the Premises or elsewhere, (b) the condition, use or enjoyment of the Building or any other real or personal property.

Any Hazardous Material permitted on the Premises and all containers therefor, shall be used, kept, stored and disposed of in a manner that complies with all federal, state and local laws or regulations applicable to such Hazardous Material. If Hazardous Materials are used, stored, generated or disposed of on or in the Premises except as permitted above, or if the Premises become contaminated in any manner for which Tenant is legally liable, Tenant shall indemnify and hold harmless the Landlord from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including, without limitation, a decrease in value of the Premises, damages caused by loss or restriction of rentable area, or any damages caused by adverse impact on marketing of the space, and any and all sums paid for settlement of claims, attorney's fees, consultant and expert fees) arising during or after the lease Term and arising as a result of that contamination by Tenant. This indemnification includes, without limitation, any and all costs incurred because of any investigation of the site or any clean-up, removal or restoration mandated by a federal, state or local agency or political subdivision. Without limitation of the foregoing, if Tenant causes or permits the presence of any Hazardous Material on the Premises and that results in contamination, Tenant, at its sole expense, promptly shall take any and all necessary actions to return the Premises to the condition existing prior to the presence of any such Hazardous Material on the Premises. Tenant shall first obtain Landlord's approval for any such remedial action. As used herein, the term "Hazardous Materials" means and includes, without limitation, inflammable explosives, radioactive materials, asbestos, organic compounds (including polychlorinated biphenyls), pollutants, contaminants, hazardous wastes, toxic substances or related materials and any substances defined as or included in the definitions for "hazardous substances", "hazardous wastes", "extremely hazardous wastes", "hazardous materials" or "toxic substances" under the following laws, ordinances and regulations ("Hazardous Materials Laws"): Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, the Hazardous

governmental regulation of the Premises regarding access of disabled persons, including without limitation, Title III of the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq. and Hawaii Revised Statutes Chapter 489, or any other similar federal, state or local laws or ordinances and the regulations promulgated thereunder, as the same may be amended from time to time (collectively "Disability Access Laws"). Landlord shall not be liable for any failure by Tenant to comply with the requirements of the Disability Access Laws with respect to the Premises during the Term hereof and Tenant expressly releases Landlord from any and all liability for any failure by Tenant to so comply. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims and demands for loss or damage, including claims for discrimination, personal injury, monetary damage or injunctive relief arising out of or in connection with any failure or alleged failure of the Premises to comply with the Disability Access Laws, and Tenant shall reimburse Landlord for all costs and expenses, including reasonable attorneys' and other professional or consultants' fees, paid or incurred by Landlord in connection with the defense of any such claims including, but not limited to, all costs for research regarding settlement or other preventive measures which Landlord may take prior to the filing of such action or to attempt to prevent the filing of such an action.

SECTION 17. INSPECTION OF PREMISES.

17.1. Tenant shall permit Landlord, Landlord's employees, agents, janitors and engineers to enter into and upon the Premises at all reasonable times to inspect and examine the same and to determine the state of repair and condition thereof and to maintain the Building, with the right to erect and maintain such scaffolding, canopies, fences and props as may be required, and all without any rebate of rent or liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned.

17.2. Tenant agrees that Landlord and Landlord's employees, janitors and engineers may retain a passkey to the Premises and may enter the same during normal business hours or at any time during emergencies by the use of such passkey for any of the foregoing purposes. Tenant shall not change any lock on the doors of the Premises. In the event Tenant changes locks, Landlord shall have the right to use any means to gain access in an emergency, and any entry made by Landlord under any circumstances shall not be construed or deemed to be an unlawful entry, nor shall Landlord be liable to Tenant for any damage whatsoever resulting from the use of force in effecting entry.

17.3. Tenant also will permit Landlord to bring prospective tenants upon the Premises to view the same from time to time during business hours within the six (6) month period prior to the expiration of the term of this lease.

SECTION 18. SURRENDER OF PREMISES. At the expiration or sooner termination of this lease, Tenant will surrender and deliver up to Landlord, possession of the Premises, including

all improvements whenever and by whomsoever made or place therein, in good condition and repair, ordinary use and wear excepted, PROVIDED, HOWEVER, that if there be no default on the part of Tenant at the termination of this lease, Tenant may, or if Landlord shall so require, by notice thereof to be given not less than sixty (60) days prior to the end of the term hereof Tenant shall, at its cost and expense, remove prior to the termination of this lease all signs and trade fixtures erected or placed upon the Premises, and on such notice, shall also remove any improvements made or placed by Tenant in the Premises. as specified in such notice by Landlord and Tenant shall replace and

hereunder, or be deemed to be a consent to any subsequent assignment, transfer, mortgage, pledge, hypothecation, encumbrance or subletting.

If at any time or from time to time during the term of this lease Tenant intends to so assign, sublet or mortgage, the following provisions shall govern:

20.1. With respect to a proposed assignment, Tenant shall submit to Landlord for Landlord's review an agreement to assign, executed by both Tenant and the proposed assignee, together with current financial statements of the assignee. Landlord shall have the option to terminate this lease by written notice given to Tenant within twenty (20) days after the agreement to assign is given by Landlord. If Landlord does not so terminate, Landlord's written consent to assignment shall nevertheless be required but shall not be unreasonably withheld. If consent is given, Tenant shall pay to Landlord as consideration therefor one-half (1/2) of any sums or other economic consideration payable to Tenant as a result of such assignment, whether or not received by Tenant, except payments received which are to reimburse Tenant for the then unamortized cost of leasehold improvements made to the Premises by Tenant. As presented copy of the assignment shall be

undertaking of the assignee to observe and perform all obligations of the Tenant hereunder shall be furnished to Landlord for review and written consent prior to entry by assignee into possession. This lease shall not, nor shall any interest herein be assignable as to the interest of Tenant by operation of law without the written consent of Landlord.

20.2. With respect to a proposed sublease, Tenant shall submit to Landlord for Landlord's review, an agreement to sublease, executed by Tenant and the proposed sublessee, together with current financial statements of the sublessee. If the proposed subletting is for all or any portion of

for review and written consent. Such certificate of insurance shall conform to the provisions of Section 29 herein;

20.2.3. No sublessee shall have a right to sublet further or to assign its interest without Landlord's written consent;

20.2.4. One-half (1/2) of any sums or other economic consideration payable from time to time to Tenant as a result of such subletting, whether or not received by Tenant and whether denominated rent under the sublease or otherwise, which exceed in the aggregate the total sums which Tenant is obligated to pay to Landlord under this lease, prorated to reflect obligations allocable to that portion of the Premises subject to such sublease (except rent or other payments received which are attributable to the amortization of the cost of leasehold improvements made to the sublet portion of the Premises by Tenant) shall be payable to Landlord as additional rental under this lease without affecting or reducing any other obligation of Tenant hereunder;

20.2.5. The sublease and all rights of the sublessee thereunder shall be subject to this lease; and

20.2.6. Tenant shall pay to Landlord a reasonable fee for any sublease submitted to Landlord for review and consent.

20.3. With respect to Tenant's intention to mortgage, Tenant shall submit to Landlord a copy of the proposed mortgage and the note to be secured thereby for Landlord's review. Tenant shall not mortgage this lease or any interest herein without the prior written consent of Landlord, provided that such consent shall not be unreasonably withheld if the proposed mortgagee is a recognized lending institution and the mortgage is for the purpose of making improvements on the subject Premises. Upon recordation of all documents relating to the mortgaging of this lease or any interest herein, Tenant shall deliver to Landlord certified copies of same as soon as possible thereafter.

SECTION 21. CHANGE OF CONTROL. If at any time during the term hereof, the ownership of Tenant's business shall be changed as a result of any sale of assets, sale of stock,

merger, consolidation or otherwise so as to result in a change in the controlling interest in said business, Tenant shall give immediate notice thereof to Landlord and Landlord may terminate this lease at any time after receipt of such notice or if such notice shall not be given, after discovery by Landlord of such change in controlling interest by giving Tenant sixty (60) days' written notice of such termination unless Tenant shall furnish reasonably adequate assurance that there has been no reduction in the financial responsibility of Tenant as a result of the change.

SECTION 22. BANKRUPTCY OF TENANT.

22.1. The filing of any petition in bankruptcy, or the adjudication of Tenant as a bankrupt or insolvent, or the appointment of a receiver or trustee to take possession of all or substantially all of the assets of Tenant, or a general assignment by Tenant for the benefit of creditors, or any action taken or suffered by Tenant under any state or federal insolvency or bankruptcy act, or any similar law now or hereafter in effect, including, without limitation, the filing of any petition for or in reorganization, or the taking or seizure of the Premises or any portion thereof under levy of execution or attachment against Tenant and the continuance of the sale in effect for a period of thirty (30) days, shall constitute a breach of this lease by Tenant and in any such event Landlord at its option may terminate this lease upon written notice to Tenant.

22.2. It is understood and agreed that neither this lease, nor any interest herein or hereunder or any estate hereby created in favor of Tenant, shall pass by operation of law under any state or federal insolvency or bankruptcy act, or any similar law now or hereafter in effect, to any trustee, receiver, assignee for the benefit of creditors, or any other person whomsoever without the express written consent of Landlord first had and obtained therefor. Any purported transfer in violation of the provisions herein shall constitute a breach of this lease by Tenant.

SECTION 23. NON-LIABILITY OF LANDLORD. Tenant shall and hereby does assume all risk of loss or damage to furniture, fixtures, supplies, merchandise, and other property, by whomsoever owned, stored or placed in upon or about the Premises and does hereby agree that Landlord will not be responsible for loss or damage to any such property, unless caused by the willful act or gross neglect of Landlord, and Tenant hereby agrees to indemnify and save harmless Landlord from and against any and all claims for such loss or damage, other than damage caused solely by the willful act or gross neglect of Landlord or arising solely out of a defect which Landlord is required hereunder to repair and has failed to remedy within a reasonable time after having been given notice in writing thereof. Without prejudice to the generality of the foregoing, Landlord shall not be liable for any damage to any property at any time stored or kept in the Premises or in any other part of the Building, either from rain or from any other water which may leak, issue or flow from any part of the Building, or from the pipes or plumbing of the same or from any other place or quarter, nor shall Landlord be liable for any damage to property in the Building caused by accident involving the elevators, or for damage of any character arising out of defects of construction either of the Building, or the Premises or any machinery, equipment, electrical wiring or facility therein or failure or breakdown thereof or from lack of repair or proper operation of the same or from any other cause, unless the sole cause is a defect which Landlord is required hereunder to repair and Landlord shall have failed to remedy such defect within a reasonable time after written notice thereof. In any event, Landlord shall not be liable for any damage to Tenant's leasehold improvements, fixtures, personal property, or merchandise resulting from fire or other insurable hazards, regardless of the cause thereof, and Tenant hereby expressly releases Landlord from all liability for such damage. Landlord shall in no way be responsible to Tenant for any loss of property on the Premises, however occurring,

or for any damage done to Tenant's effects by Landlord's janitorial personnel or any other employee or any other person. Tenant shall give to Landlord prompt written notice of any accident to, or defect in, any water or other pipes or plumbing, electric lights or fixtures or other fixtures or other equipment or appurtenances of the Premises. Landlord shall not be liable or responsible for any loss or damage sustained by Tenant, Tenant's agents, employees, business guests, invitees, licensees, or subtenants, by reason of the negligence, willfulness or malice of any other tenant, occupant, invitees, licensee or trespasser of the Property, or of any other person.

SECTION 24. INDEMNITY AND RISK OF INJURY. Tenant will and does hereby assume all risk of bodily injury, wrongful death and/or property damage from any cause whatsoever, by reason of the use, occupancy and enjoyment of the Premises occasioned by any nuisance made or suffered in the Premises, or resulting from any failure on the part of Tenant to maintain the Premises in a safe condition, and Tenant hereby agrees to indemnify and save harmless Landlord from and against any and all claims, actions, proceedings, expenses, damages, and other liabilities, including attorneys' fees and other legal expenses, arising from or in connection with this lease or the Premises, and Tenant shall pay any such indemnification amounts immediately upon demand as additional rent.

Without limitation, Tenant will indemnify and save harmless Landlord against and from any and all claims by or on behalf of any person or persons, firm or firms, corporation or corporations, arising from the conduct or management of any work or thing whatsoever done by Tenant or Tenant's agents, employees, invitees, licensees, or trespassers in or about, or from transactions of Tenant concerning the Premises, and will further indemnify and save Landlord harmless against and from any and all claims arising from any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of Tenant to be performed pursuant to the terms of this lease, or arising from any act or negligence of Tenant, or any of its agents, contractors, servants, employees, invitees or licensees and from and against the costs, attorney's fees, expenses and liabilities incurred in or about any such claim of any action or proceeding brought thereon.

SECTION 25. ADVERTISING. Tenant shall not inscribe any inscription or post, place or in any manner display any sign, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Premises or the Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Premises, except as permitted under the Rules and Regulations of the Building (Exhibit "C").

SECTION 26. RULES AND REGULATIONS. Landlord, for the proper maintenance, safety, order and cleanliness of the Building, and for the rendering of good services, the protection

are not inconsistent with the terms of this lease. Landlord shall not be liable or responsible to Tenant for the violation by any other tenant or occupant of the Building of any such rules or regulations.

SECTION 27. SUBORDINATION. This lease shall be subject to and subordinate at all times to any underlying leases which may hereafter be executed affecting the Building, to such liens and encumbrances, including mortgages, as are now on or as Landlord may hereafter impose on the Building or the Premises, and on Landlord's interest or estate herein without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination, and such subordination of Tenant's interest shall be self-operating and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant agrees to promptly execute and deliver any instrument that the holder of any such underlying lease or lien holder may require to evidence such subordination, and Tenant hereby irrevocably appoints Landlord its attorney-in-fact to execute and deliver such instruments on behalf of Tenant should Tenant refuse or fail to do so within ten (10) days after request is made. If there shall be any conflict between the terms and conditions of this lease and the terms and conditions of any underlying lease, the terms and conditions of any underlying lease shall control. If any Landlord under such underlying lease or such holder of a lien or purchaser on foreclosure of such lien shall require, Tenant shall attorn to it and this lease shall then continue in effect in the event of termination of such underlying lease or acquisition of the interest of Landlord by such lien holder or purchaser on foreclosure of such lien. Said power of attorney is coupled with an interest and shall be irrevocable. Said liens shall include, without limitation, the lien of a mortgage executed in part to secure a loan to pay for the construction of improvements in or to the Building.

SECTION 28. ESTOPPEL CERTIFICATE.

28.1. Tenant shall at any time upon not less than ten (10) days' prior written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, (ii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed and (iii) acknowledging or certifying such other matters as may be reasonably requested. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

28.2. At Landlord's option, Tenant's failure to deliver such statement within such time shall be a material breach of this lease or shall be conclusive upon Tenant (i) that this lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance, and (iii) that not more than one month's rent has been paid in advance. Tenant hereby constitutes and appoints Landlord as Tenant's attorney-in-fact to

execute any such statement or statements on behalf of Tenant in the event Tenant does not do the same within the time period provided herein.

28.3. If Landlord desires to finance, refinance, or sell the Premises, or any part thereof, Tenant hereby agrees to deliver to any lender or purchaser designated by Landlord such financial statements of Tenant as may be reasonably required by such lender or purchaser. Such statements shall include the past three years' financial statements of Tenant. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

SECTION 29. INSURANCE.


29.1. Tenant shall procure at Tenant's expense and keep in force during the term of this lease and any extension thereof comprehensive general liability insurance, such insurance to have reasonable minimum limits set by Landlord from time to time, based on acceptable minimum limits used for similar properties at the time of such setting, but initially not less than \$1,000,000 for property damage liability, and \$1,000,000 for injuries or deaths in any one occurrence. All of such insurance shall be primary and noncontributing with any insurance which may be carried by Landlord or Landlord's Managing Agent. The adequacy of the coverage afforded by said liability and property damage insurance shall be subject to review by Landlord from time to time, and if it appears in such a review that a prudent business person in Honolulu, Hawaii, operating a similar business to that operated by Tenant on the Premises would increase the limits of its liability and property damage insurance, Tenant shall to that extent forthwith increase such limits.

29.2. Tenant shall procure at its own expense and will keep in force during the term of this lease and any extension thereof insurance on all improvements (as defined in Section 55 hereinbelow) whenever and by whomsoever made in the Premises with fire, extended coverage, vandalism, malicious mischief and sprinkler leakage coverage and in time of war against war damage to the extent such governmental insurance is obtainable, in an amount equal to the full replacement cost of the improvements.

inventory and all other property located in the Premises, in an amount equal to the full replacement cost thereof, without deduction for depreciation, against fire and extended coverage risks.

29.4. Tenant shall procure and maintain in force and effect, at all times, a policy of insurance for actual rent loss sustained from necessary untenantability caused by damage to or destruction of the Premises, or any portion thereof, from perils of fire, extended coverage and special extended coverage, such policy to be in an amount at least equivalent to the annual rental value of the Premises and payable in case of loss to Landlord and Tenant as their respective interests may appear.

29.5. All policies mentioned in this Section 29 shall be subject to the approval of Landlord and issued by an insurance company authorized to do business in Hawaii. All such policies shall be for the mutual and joint benefit and protection of Landlord, Tenant, any mortgagee, if any, of



29.8. Tenant agrees to pay to Landlord forthwith upon demand the amount of any increase in premiums for insurance that may be charged during the term of this lease on the amount of insurance maintained in force by Landlord on the Property, which results from Tenant doing any act in or about the Premises that increases the insurance rates, whether or not Landlord shall have consented to such act on the part of Tenant. If Tenant installs upon the Premises any electrical equipment that constitutes an overload on the electrical lines of the Premises, Tenant at its own expense shall make whatever changes are necessary to comply with the requirements of the insurance underwriters and any governmental authorities having jurisdiction over the Premises.

of Landlord to so act being inferred from this provision). If undertaken by Landlord such programs may increase or decrease the square footage of the total rentable area of the Building. Aside from temporary conditions, that is, periods of not longer than four months duration to allow for construction, any material change in the total rentable area of the Building shall be taken into account and Tenant's proportionate share of Building area shall be recomputed and determined. Tenant's redetermined proportionate share of the Building shall be fixed for all purposes of this lease at the higher or lower percentage, subject to further revision if there should again be a material change in the total rentable area of the Building. The time for recomputation of Tenant's fair share shall be the date on which a reconstructed area in the Building is first occupied, in whole or in part, by Tenant, except that if space should be modified and abandoned as tenant area by Landlord, the effective date thereof shall be deemed the date on which such area of the Building is placed in substantially completed condition in accordance with Landlord's construction plan for such space. Tenant's "fair share" of those costs for such services rendered to Tenant, but not rendered to all tenants, shall be in the same proportion as the rentable area bears to the total rentable area to which such services are rendered. The proportionate amount shall be divided by 12 to give Tenant's monthly "fair share."

30.2. ANNUALIZATION. After the end of each calendar year (including the years in which the term hereof commences and terminates) Landlord shall compute the actual operating expenses for such calendar year, to the extent not already computed, and notify Tenant of any correction from the estimated operating expenses as soon as reasonably possible after the end of each such year. Within thirty (30) days after the giving of notice that the actual expenses were greater than the estimated expenses, Tenant shall pay to Landlord an amount equal to Tenant's share of the excess of the actual operating expenses over the estimated operating expenses upon which Tenant's rent had been based during the preceding year. Should it be determined that the actual operating expenses for any year were less than the estimated operating expenses, Tenant shall be entitled to a credit against future rent payments, or a refund in the case of the last year of the term hereof, in an amount equal to Tenant's share of the difference between the actual operating expenses and the estimated operating expenses.

30.3. DEFINITION OF OPERATING EXPENSES. Operating expenses shall be determined in accordance with generally accepted accounting principles as applied to operation and maintenance of first class office buildings in Honolulu, and the term "operating expenses" shall mean all of the expenses which shall be incurred or paid on account of such operation and maintenance of the Building, including without limitation, all parking facilities. Said operating expenses shall include, without limitation to the generality of the foregoing, the costs of utilities, automated control systems, heating, elevators, air conditioning, trash disposal, repairs and maintenance, security control, janitorial services, management contracts (or the cost of equivalent management services computed at the prevailing rate charged from time to time by companies generally in the management business

depreciation or rental of common area furnishings and equipment used in operation and maintenance, bookkeeping expenses, fees of operator of parking facilities and other expenses of operation thereof (or the cost of equivalent parking management services computed at the prevailing rate charged from time to time by companies generally in the parking management business), legal fees and expenses, financing expenses relating to operation and management, landscaping expenses including the replacement of plants and sprinkler systems, insurance (including fire and extended coverage, vandalism and malicious mischief, plate glass, difference in conditions coverage, public liability and property damage and workmen's compensation insurance customarily carried by owners of first class office buildings), that part of office rent or rental value of space in the building used or furnished by Landlord to enhance, manage, operate and maintain the building, taxes upon or measured by Landlord's gross income to the extent that such taxes have not already been recovered under Section 5.6 of this or similar leases (but excluding taxes upon or measured by Landlord's net income), all federal, state and local government taxes, assessments and charges of every kind or nature, whether general, special, ordinary or extraordinary, including but not limited to real property taxes, which Landlord shall pay or become obligated to pay because of or in connection with the ownership, leasing, management, control or operation of the Building (including the land on which it is situated), or of the personal property, fixtures, machinery, equipment, systems and apparatus located or used in connection with the Building, all fees, costs and expenses of the Building, including but not limited to the following:

costs incurred, all as estimated by Landlord, and the percentages set forth in Section 1.4 hereinabove are and shall be based on an assumed full occupancy.

30.5. SPECIAL TENANT'S EXPENSES. Where (1) any expense over and above normal operating expenses is incurred or paid by Landlord specifically for the benefit of and at the request of a particular tenant, or (2) any expense which is part of normal operating expenses undergoes an increase from the previous billing period of over fifty percent (50%), Landlord, in its sole discretion, may charge such expense immediately & directly against the tenant to which the expense applies rather than including such expense in operating expenses for the purpose of this Section 30.

30.6. DEFINITION OF AREA. The term "usable area" shall consist of the area outlined in red on Exhibit "B". For full floor tenants, the usable area of a floor shall be computed by measuring the area bounded by the interior surface of the permanent outer building walls excluding however, any major vertical penetrations of the floor. No deduction shall be made for columns or other projections necessary to the building. For multiple tenants occupying a single floor, usable area shall be computed by measuring the area bounded by the interior surface of corridor walls or other permanent walls, the center of partitions separating the demised Premises from adjoining usable areas and the inside finished surfaces of the glass walls. No deduction shall be made for columns or other projections necessary to the building. The usable and rentable areas are subject to adjustment from time to time to correct any error in measurement or if changes are made to the Premises and the percentages applicable shall be adjusted accordingly.

30.7. AUDIT OF OPERATING EXPENSES. Operating expenses for the Building shall be audited annually by a firm of certified public accountants selected by Landlord. Such audited statement shall be available for inspection by Tenant during normal business hours upon 72 hours' prior notice. If operating expenses according to such audit shall differ from the operating expenses estimated by Landlord pursuant to Section 30, the expenses according to such audit shall be deemed correct, and an appropriate adjustment shall be made in the rent as herein provided in Section 30.

SECTION 31. PARKING AND TRAFFIC. The right of Tenant, its customers, invitees and employees to use the common areas in the CENTRAL PACIFIC PLAZA for ingress, egress and parking shall be subject to Landlord's right to impose reasonable traffic rules, regulations and routing and to prohibit parking by employees of the tenants in order to provide adequate parking for customers and invitees of the tenants. Landlord further reserves the right to assess Tenant for any extra parking charges upon written notice to Tenant.

SECTION 32. CURE AND SECURITY DEPOSIT.

32.1. Concurrently with the execution of this lease, Tenant shall deliver to Landlord a sum equal to the amount which is set forth in Section 1.7 as security for the performance by Tenant of every covenant and condition of this lease. Said deposit may be commingled with other funds of

Landlord and shall bear no interest. In the event that the monthly rent shall increase from time to time during the term of this lease, Tenant shall deposit with Landlord within five (5) days after the effective date of such increase, additional security deposit so that the amount of the security deposit held by Landlord shall bear the same proportion to current rent as the original security deposit bears to the original monthly rent. Landlord may transfer and/or deliver the security deposit to any purchaser to Landlord's interest in the event that the Landlord's interest shall be sold, and thereupon Landlord shall be discharged from any further liability in reference thereto.

32.2. If Tenant shall default with respect to any covenant or condition of this lease, Landlord may, without prejudice to any other right or remedy provided for Landlord in this lease cure the

SECTION 37. NOTICE. All notices hereunder shall be given in writing and may be given or served for all purposes by being sent as registered or certified mail, postage prepaid, addressed to Tenant at its post office address hereinbefore specified or at such other post office address as Tenant may from time to time designate in writing by notice to Landlord or to Landlord at its office hereinabove set forth or at such other post office address as Landlord may from time to time designate to Tenant, and any such notice shall be deemed conclusively to have been given or served, if on Tenant, on the date of such mailing, and if on Landlord, on the date of receipt thereof by Landlord. If such notice or demand is served personally, service shall be conclusively deemed made at the time of such personal service. If there is more than one Tenant, mailing to one of the Tenants shall be construed as notice to all of the Tenants.

SECTION 38. SEVERABILITY. If any provision of this lease is held to be unenforceable, the remainder of this lease shall survive and be enforceable.

levels below the level of the original Premises. Tenant shall be entitled to a ratable reduction in the rent for any period in excess of one (1) day during which Tenant is reasonably prevented from operating its business on account of such relocation. The parties shall immediately execute an appropriate amendment to this lease reflecting the substitution aforesaid.

SECTION 42. SERVICE CONTRACTS. Any services which Landlord is required to furnish pursuant to the provisions of this lease may, at Landlord's option, be furnished from time to time in whole or in part by employees of the managing agent of the property or by one or more third persons. Landlord further reserves the right to require Tenant to enter into agreements with such third persons, in form and content approved by Landlord for the furnishing of such services.

SECTION 43. NO RENT REDUCTION. Except as provided elsewhere under those provisions of this lease which specifically refer to rent reduction, Tenant shall not be entitled to any suspension, abatement or reduction of rent, nor to the recovery of any sums for any loss or damage on account of the interruption of the use of the Premises or of any of the services required to be furnished by Landlord hereunder by reason of delays beyond the reasonable control of Landlord.

SECTION 44. CANCELLATION NOT MERGER. The voluntary or other surrender of this lease by Tenant, or a mutual cancellation thereof, or the termination thereof by Landlord pursuant to any provision contained herein, shall not work a merger, but at the option of Landlord shall either terminate any or all existing subleases or subtenancies hereunder, or operate as an assignment to Landlord of any or all of such subleases or subtenancies.

SECTION 45. SUBMISSION FOR REVIEW. The submission of this lease for examination does not constitute a reservation of or option for the Premises and this lease becomes effective as a lease only upon execution in full by all parties and delivery thereof by Landlord to Tenant.

SECTION 46. RESERVATION OF LANDLORD. Landlord reserves the right to place, maintain, repair, replace, renovate, remodel, make additions to, or demolish such utility lines, pipes, tunneling walls, ceilings, floors, public areas, restrooms, elevators, stairs, common areas and the like, in, under, over and upon the Premises as may be reasonably necessary or advisable for the servicing, remodeling, or repairing of the Premises or of other portions of the Building of which the Premises are a part. Landlord reserves the right to enter the Premises at any time for the purpose of performing such work. Landlord further reserves the right to change the name of the Building at Landlord's sole discretion.

SECTION 47. SUCCESSORS. All of the covenants, agreements, terms and conditions contained in this lease shall apply to, accrue to and be binding upon Landlord and Tenant and their respective heirs, personal representatives, successors and assigns. On any sale or conveyance by Landlord of the Building, the buyer or grantee shall become responsible for all of the covenants and conditions herein contained and on the part of Landlord to be observed or performed after the time

of such sale or conveyance and the seller or grantor shall be released therefrom except as to obligations already accrued.

SECTION 48. SHORT-FORM COUNTERPART. This lease shall not be recorded, but upon the request of either party, the other party shall execute and deliver to any party requesting the same, a recordable short-form of this lease sufficient to give constructive notice of the leasehold estate hereby created, and said short-form counterpart may be filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, and/or recorded in the Bureau of Conveyances of the State of Hawaii. If a short-form counterpart of this lease is recorded, Tenant agrees, at Tenant's expense, once the lease is terminated, to execute a recordable instrument evidencing such termination. Tenant hereby appoints Landlord as Tenant's attorney-in-fact for the purpose of executing any memorandum of lease as evidence of the termination of this lease, such appointment being coupled with an interest to be irrevocable and not affected by specific revocation, death, incompetence or other cause.

SECTION 49. CONVEYANCE TAX. Tenant shall be solely responsible for any conveyance tax payable to the State of Hawaii pursuant to Section 247, Hawaii Revised Statutes, as amended, which may be incurred by Landlord under this lease.

SECTION 50. GENERAL. The necessary grammatical changes required to make the provisions of this lease apply in the plural sense where there is more than one tenant and to either corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed. The term "Premises" shall mean the area specifically described in the demise from Landlord to Tenant, except where such meaning would be clearly repugnant to the content. Any conflict between the printed provisions of this lease and properly initialed typewritten or handwritten provisions shall be controlled by the initialed typewritten or handwritten provisions.

SECTION 51. WAIVER OF JURY TRIAL. The parties each hereby waives trial by jury in any action, proceeding or counterclaim brought by either against the other on any matter whatsoever arising out of or in any way connected with this lease, the relationship of Landlord with Tenant, Tenant's use or occupancy of the Premises, including any claim of injury or damage, and any emergency and other statutory remedy with respect thereto.

SECTION 52. WAIVER OF RIGHTS OF REDEMPTION. Tenant expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Premises by reason of the violation by Tenant of any of the covenants or conditions of this lease.

SECTION 53. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of Landlord and Tenant and supersedes all oral and written agreements and understandings made and entered into by the parties hereto prior to the date hereof. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each of them.

SECTION 54. APPLICABLE LAWS. This lease shall be governed by and construed in accordance with the laws of the State of Hawaii. The venue for any action with respect to this lease shall be Honolulu, Hawaii.

SECTION 55. MISCELLANEOUS.

55.1. Time is of the essence of this lease.

55.2. The term "Premises" wherever it appears herein includes and shall be deemed to include (except where such meaning would be clearly repugnant to the context) the space demised and all improvements therein.

55.3. The space demised shall consist of the area shown outlined in red on Exhibit "B" and be bounded by the unfinished interior surfaces of the perimeter walls and windows, the unfinished surfaces of interior load bearing walls, the unfinished top of the floor slab and the unfinished bottom of the floor slab of the floor above, excluding, however, any stairs and other items within said boundaries which are not included in rentable area as defined in Section 30.6 above.

55.4. The term "improvements" wherever it appears herein shall include all improvements existing at the commencement of the term hereof or at any time thereafter built by anyone in the space hereby demised, including, without limitation, all walls and partitions which are not load-bearing, the interior decorated or finished surfaces of all perimeter and load-bearing walls and floor slabs, all non-standard ceilings and ceiling light fixtures, all interior windows, all entrance doors, all mechanical and electrical conduits, wiring, fixtures and equipment, all floor tile, carpeting and wall covering and all other fixtures of all kinds, excluding, however, water, electric, telephone and other utility lines, ducts, conduits and other facilities serving other portions of the Building which may pass through the demised area, and excluding also the air-conditioning ducts and equipment, ceiling and ceiling light fixtures if of the standard type furnished by Landlord, and sprinkler systems, all of which excluded items shall be the responsibility of Landlord, and with respect to which Landlord reserves the right to install, repair, replace, maintain and remove the same in its discretion.

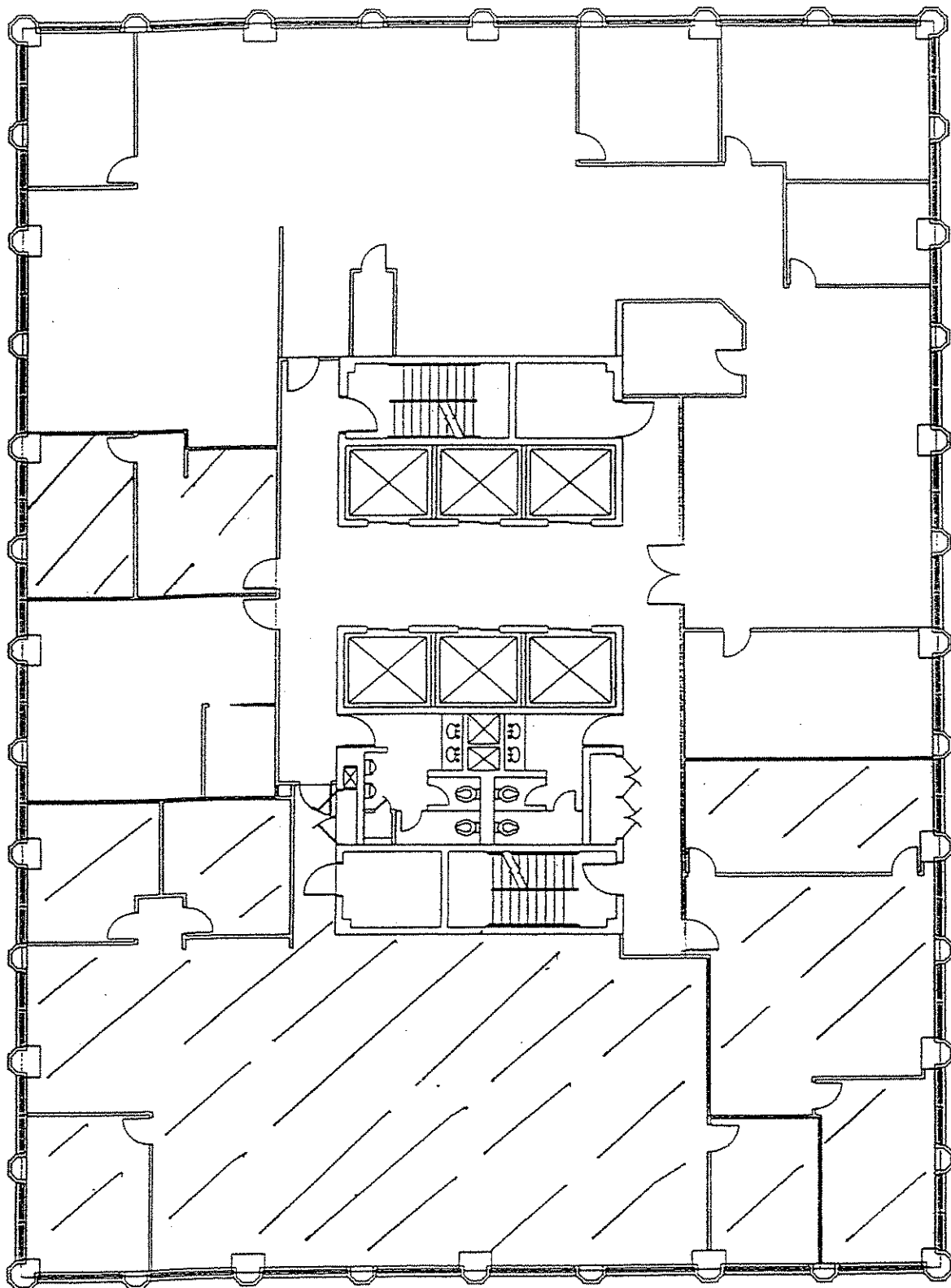
55.5. The section headings herein are for convenience of reference, and shall in no way define, limit or describe the scope or intent of any provisions of this lease.

55.6. The term "Landlord" in these presents shall include the above-named Landlord and its successors and assigns.

55.7. The term "Tenant" or any pronoun used in place thereof shall indicate and include the masculine or feminine, the singular or plural number, individuals, firms or corporations, and their and each of their respective successors, personal representatives and permitted assigns, according to the context hereof. In any case where this lease is signed by more than one person, the obligations hereunder shall be joint and several.

55.8. No payments by Tenant or receipt by Landlord of a lesser amount than the rent stipulated in this lease shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this lease provided.

55.9. Landlord does not, in any way or for any purpose, become a partner of Tenant in the conduct of its business, or otherwise, or joint venturer or a member of a joint enterprise with Tenant.



10th Floor Plan

DATE PRINTED: 03/04/03

EXHIBIT "C"

RULES AND REGULATIONS

These rules and regulations have been adopted for the purpose of ensuring order and safety in the Building and to maintain the rights of Tenants and Landlord. Landlord reserves the right to modify, supplement or rescind any of these rules for the safety, care and cleanliness of **Central Pacific Plaza** and the preservation of good order therein. Landlord may waive any one or more of these rules and regulations for the benefit of any particular Tenant or Tenants, but no such waiver by Landlord shall be construed as a waiver of such rules and regulations in favor of any other Tenant nor Tenants, nor prevent Landlord from thereafter enforcing any such rules and regulations against any or all of the Tenants of the Building. Each Tenant shall be liable for injury or damage caused by the infraction of any of these rules by its employees, agents or invitees, and Landlord may repair such damage, charging the cost of same to such Tenant, which amount shall be added to rent due for the ensuing month. These rules and regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of premises in the Building.

ACCESS: Office areas will be open from 7:00 a.m. to 7:00 p.m., Monday through Friday and 7:00 a.m. to 3:00 p.m. Saturday. On Sunday, Holidays and after regular open hours, access to the demised premises without a Security Access Control Card may be refused. Tenant shall provide Landlord with a current Security Access List for all persons authorized access to demised premises after normal business hours. All changes, deletions and additions to said Security Access List shall be the sole responsibility of Tenant and shall be made in writing to Landlord. Security Access Control Cards shall be assigned to Tenant. A written request for cards is required from Tenant to Landlord. Any lost or stolen cards shall be promptly reported in writing by Tenant to Landlord. Tenant shall be charged a fee of \$25.00 per card for lost, stolen or unaccounted Security Access Control Cards, and \$5.00 per card if such card is damaged and a replacement is necessary.

CLOSING PREMISES: Tenant will see that the doors of the Premises are securely locked and that all water faucets, lights and powered equipment are shut off before Tenant or Tenant's employees leave the Building, to prevent waste or damage.

COMMON ROOMS: Rooms used in common by Tenants shall be subject to regulations adopted by Landlord.

DEDICATION - PREVENTION OF: Landlord reserves the right to close off any and all of the



DELIVERIES AND SERVICE AREA: Only hand trucks equipped with rubber tires and slide guards will be permitted in the Building. ALL DELIVERIES SHALL ONLY BE BROUGHT THROUGH THE BASEMENT. All deliveries requiring exclusive use of an elevator shall be scheduled through the Building Engineer, and in any event, such use will not be permitted without the use of elevator protective padding and such use will not be permitted between the hours of 7:00 a.m. to 8:30 a.m., 11:00 a.m. to 1:30 p.m., and 3:30 p.m. to 5:30 p.m. All persons making deliveries to any Tenant shall sign the Delivery Log in the Security Office.

HEAVY ITEMS: All carrying in or out of freight, packages or bulky matter of any description must take place only during hours selected by Landlord and only with prior notice to and approval by Landlord. No objects beyond the rated capacity of elevators shall be brought into the Building. Landlord shall have the right to prescribe the location of heavy objects and if considered necessary, the means to distribute weight thereof (to no more than 50 pounds per square foot unless written approval is granted by Landlord). All costs incurred will be charged to the Tenant. Any damage to the Building caused by any Tenant or its contractor, delivery or moving service will be repaired at said Tenant's expense.

DIRECTORIES: The Building and Floor Directories are provided for displaying the name and location of each Tenant. A charge will be made in accordance with the standard sign order form for the initial listing and for each name added to or removed from a Tenant's listing.

kilowatt hour rate applicable to Central Pacific Plaza, water and sewage at the posted rate, consumable supplies and materials, if any, a mechanical equipment depreciation charge based on additional usage, and any other direct premium costs associated with providing such services. In the event more than one Tenant shall request after-hour services as aforesaid for coincidental periods, the Landlord will attempt, where practicable, to prorate the cost of same among such Tenants on an equitable basis.

JANITORIAL SERVICE: No one other than those approved in writing by Landlord shall be permitted to perform any janitorial service in the Building. Janitorial services, if supplied by Landlord, shall not include shampooing or spot cleaning of carpets nor dry cleaning of draperies. Landlord shall not be responsible for any loss of or damage to any Tenant's property by the janitor, its employees or any other person performing janitorial services.

KEYS AND LOCKS: No locks other than those provided by Landlord shall be placed on any doors without the written consent of Landlord. Two (2) keys per lock will be furnished to Tenant by Landlord. Lock cylinders and keys shall be changed by Landlord at Tenant's expense upon receipt of written request from Tenant. Tenant shall be charged \$2.00 per key for additional or lost keys. The cost of each keyway change shall be \$50.00. All keys will be surrendered upon termination of lease. Building janitors and contract cleaners will be provided with a passkey to offices in the Building.

OBSTRUCTION OF COMMON AREAS: All common areas will be used only for ingress and egress to the demised premises. Landlord retains the right to control and prevent access onto the property, including the entire Central Pacific Plaza, by any and all persons other than those persons having a legal right to ingress and egress from the demised premises. Only persons authorized by Landlord will be permitted in areas housing mechanical, electrical or equipment of any kind.

ANIMALS: No animals or pets are allowed in the Building, common areas or demised premises at any time, except for Seeing Eye Dogs.

BICYCLES: Bicycles and other similar vehicles, are to be parked only in those areas so designated within the parking structure.

REMOVAL OF PROPERTY: Each Tenant shall deliver a list of any fixtures or improvements in the premises which Tenant desires to remove from the Building, and the list must be approved in writing by Landlord before any such fixtures or improvement is removed.

REPAIRS/ALTERATIONS/ADDITIONS TO PREMISES: Prior to commencement of construction for any repair, alteration or addition to the Premises, Tenant shall submit to Landlord, in writing, for Landlord's written approval the following: 1) work description; 2) work schedule; 3) names of architect, general contractor and any sub-contractors; 4) working drawings and

specifications; 5) copy of Building Permit; 6) copy of Performance Bond and Insurance Certificate (by Contractor); and 7) copy of Completion Bond (by Tenant). Following completion of construction, Tenant shall submit a set of the final plans and specifications of the improvements as constructed. Landlord reserves the right to withhold consent of any alteration or addition to the Premises. Tenant shall also provide Landlord with lien releases upon request. Only contractors approved by Landlord shall be permitted to carry out any repairs, alterations or additions within the Premises and/or the Building.

LOBBY APPEARANCE: Landlord desires to maintain a uniform appearance of the lobby areas on each floor. Tenant shall not alter the appearance of the lobby or the entryway to the demised Premises without the consent of the Landlord. Landlord reserves the right to withhold such consent.

MAINTENANCE REQUESTS: The requirements of a Tenant will be attended to only upon application by such Tenant to Landlord or its authorized agent. Building employees will not perform any work outside of regular duties unless under special instructions from the Landlord or its authorized agent.

WINDOW DISPLAYS: Tenant will not use any method or type of window display or window advertising without Landlord's prior written approval which shall only be given if the proposals are considered by Landlord to be consistent with the Building character.

SIGNS, SCREENS AND AWNINGS: No notice or advertisement visible from the exterior of the Building or the Premises will be permitted without prior written approval of Landlord. All graphics, curtains, blinds, shades or screens visible from the exterior of the Building or any premises demised, where permitted, shall conform to Building standards as specified by Landlord from time to time. In the event of the violation of this rule by any Tenant, Landlord may remove same without any liability, and may charge the expense incurred thereby to the Tenant involved.

BUILDING HOLIDAYS: The following holidays shall be observed by the Building. The Building will be secured, a Building Security Officer will be on duty, and air conditioning and other Building services will not be provided on such days.

New Year's Day
Memorial Day
Independence Day
Labor Day
Thanksgiving Day
Christmas Day

The above-listed holidays may be changed from time to time, and the designated holidays shall be based on the predominant practice in the business community.

SOLICITORS: Landlord reserves the right to eject from the Building any solicitors, canvassers or peddlers and any other class of persons who, in the judgment of Landlord, are annoying or interfering with any of Tenant's or Landlord's operations or who are otherwise undesirable. Canvassing, peddling, soliciting and distribution of any written materials in the building are

TRASH: Each Tenant shall store all its trash and garbage for removal by janitors within the interior of its demised Premises. No material, rubbish or debris shall be placed in trash boxes or receptacles if such materials are of such nature as to be in violation of any law or ordinance governing disposal of same. Tenant's construction debris shall be removed from contractors or its employees.

USE: Except with the prior written consent of Landlord, no Tenant shall conduct any business other than that specifically provided for in its lease. No Tenant shall permit its demised premises to be used in a manner offensive or objectionable to the other Tenants or Landlord. No cooking shall be done or permitted in the Premises without Landlord's written consent first having been obtained nor shall Tenant cause or permit any unusual or objectionable odors to be produced upon or permeate from its Premises. No Tenant shall at any time bring, allow or keep upon the Premises any flammable, combustible or explosive fluid, chemical or substance in such quantities as may endanger or imperil the demised premises or any other premises or the property or lives of other persons). No Tenant shall make or permit to be made any unreasonable vibration, unseemly noise or disturb or interfere with occupants of this or adjoining buildings or premises or those having business with them whether by the use of any business machines and other equipment, musical instruments, radio, or television sets, phonographs, singing or the making of any disturbing sounds. The Premises shall not be used for lodging or sleeping.

VACATING PREMISES: Each Tenant shall give Landlord at least 90 days' prior written notice of its intention to vacate the demised premises. Tenant shall notify Landlord in writing prior to Tenant's temporary vacation of premises for more than seven (7) days.

WINDOWS AND DOORS: No windows, glass doors or any other light sources that reflect light into the lobbies or other places of the Building shall be obstructed or covered except in a manner approved in writing by Landlord.

EXHIBIT "D-1"

TENANT WORK LETTER

DATE: _____

Hawaiian Electric Company, Inc.
900 Richards Street
Honolulu, Hawaii 96813

You (hereinafter called "Tenant") and we (hereinafter called "Landlord") are executing simultaneously with this Agreement for Tenant's Improvements, the written lease of that certain premises in the building known as CENTRAL PACIFIC PLAZA, to which this Agreement for Tenant's Improvements is attached. Said premises are described in said lease and are hereinafter called "the premises".

Landlord and Tenant mutually agree as follows:

1. DEFINITIONS. In this Work Letter, some defined terms are used: They are:
 - 1.1. Tenant's Representative: _____.
 - 1.2. Landlord's Representative: _____.
 - 1.3. Programming Information: Information provided by Tenant which is necessary for the preparation of the Space Plan, including the nature of Tenant's business, manner of operation, number and types of rooms, special equipment and functional requirements, anticipated growth, interactions among groups, and any other programming requirements Tenant may have.
 - 1.4. Preliminary Space Plan: A drawing of the Premises clearly showing the layout and relationship of all departments and offices, depicting partitions, door locations and swings, special equipment locations and requirements, rentable and usable area calculations and limited furniture layouts to demonstrate the size of the area.
 - 1.5. Final Space Plan: A drawing of the Premises showing, in addition to the items on the Preliminary Space Plan, locations of electrical/data/telephone outlets, plumbing,

millwork, furniture and equipment and indicating any areas that will be evaluated for

structural enhancements as the result of Tenant's requirements.

- 1.6. Estimated Construction Costs: A preliminary estimate of the costs of the Improvements that are depicted on the Final Space Plan, including all architectural, engineering, contractor, and any other costs as can be determined from the Final Space Plan.
- 1.7. Working Drawings: Construction documents detailing the Improvements and conforming to municipal building codes currently in effect, complete in form and content and containing sufficient information and detail to allow for competitive bidding or negotiated pricing by contractor(s) selected and engaged by Landlord.
- 1.8. Construction Schedule: A schedule depicting the relative time frames for various activities related to the construction of the Improvements in the Premises.
- 1.9. Tenant Cost Proposal: A final estimate of costs of the Improvements that are depicted on the Working Drawings, including all architectural, engineering, contractor, and any other costs, and clearly indicating the dollar amount, if any, that is to be paid by Tenant pursuant to Section 12 herein.
- 1.10. Preliminary Maximum Approved Cost: The sum of the Tenant Improvement Allowance and any additional amount that Tenant has agreed to pay for the Improvements to the Premises, based on the Final Space Plan.
- 1.11. Final Maximum Approved Cost: The sum of the Tenant Improvement Allowance

1.14. Improvements. Improvements shall include the following:

1.14.1. The development of Space Plans and Working Drawings, including supporting engineering studies (i.e., structural design or analysis, lighting or acoustical evaluations, or others as determined by Landlord's architect).

1.14.2. All construction work necessary to augment the Base Building, creating the details and partitioning shown on the Space Plan. The work will create finished ceilings, walls and floor surfaces, as well as complete HVAC, lighting, electrical, and fire protection systems.

The Improvements will NOT include personal property items, such as decorator items or services, art work, plants, furniture, equipment, or other fixtures not

permanently affixed to the Premises.

2. REPRESENTATIVES. Landlord appoints Landlord's Representative to act for Landlord in all matters associated with this Work Letter. Tenant appoints Tenant's Representative to act for Tenant in all matters associated with this Work Letter. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Work Letter will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to, any employee or agent of Landlord, including, without limitation, Landlord's architect, engineers and contractors or any of their agents or

employees, with regard to matters associated with this Work Letter. Either party may change

3.2. Space Planning By Tenant (Utilizing Landlord's Architect).

- 3.2.1. If Tenant uses Landlord's architect, Tenant shall furnish to Landlord's architect on or before _____ 20____, all Programming Information necessary for the preparation of Working Drawings.
- 3.2.2. If Tenant uses Landlord's architect, Landlord shall prepare a Preliminary Space Plan in accordance with the Programming Information provided by Tenant for Tenant's approval. Such approval shall not be unreasonably withheld. In the event Tenant does not request changes to said Preliminary Space Plan within three (3) business days after they have been transmitted to Tenant for Tenant's approval, Tenant shall be deemed to have approved such plans and specifications. This procedure shall be followed until finalization of said Preliminary Space Plan. If Tenant desires to modify the Preliminary Space Plan and said Preliminary Space Plan was prepared in accordance with Tenant's information and specifications, Landlord reserves the right to charge Tenant for any additional architectural and consultant fees which Landlord might incur.
- 3.2.3. Upon written approval by Tenant of the Preliminary Space Plan, Landlord shall prepare and deliver to Tenant a Final Space Plan for Tenant's approval. Tenant shall approve the Final Space Plan within fifteen (15) days of such delivery. In the event Landlord does not receive Tenant's response to the Final Space Plan within fifteen (15) days, Tenant shall be deemed to have approved it. Tenant shall sign and date all copies of the Final Space Plan being approved unless approval is deemed to have been given due to Tenant's failure to respond to it.
- 3.2.4. After Tenant's written approval of the Final Space Plan, Landlord will promptly cause to be prepared, a preliminary estimate of the cost of the Improvements as set forth in the Final Space Plan (the "Estimated Construction Costs"). If the Estimated Construction Cost is less than the Tenant Improvement Allowance, the Estimated Construction Cost will be deemed approved without a required response from Tenant. If the Estimated Construction Cost is more than the Tenant Improvement Allowance, Landlord will so notify Tenant in writing and Tenant will establish the Preliminary Maximum Approved Cost by either:
- (1) Agreeing in writing to pay the amount by which the Estimated Construction Cost exceeds the Tenant Improvement Allowance; or

- (2) Agreeing to have the Final Space Plan revised by Landlord's architect in order to assure that the Estimated Construction Cost is either:
 - (A) No more than the Tenant Improvement Allowance; or
 - (B) Exceeds the Tenant Improvement Allowance by an amount which Tenant agrees to pay pursuant to clause (1) immediately above.

Tenant shall give immediate attention to establishing the Preliminary Maximum Approved Cost and shall respond to Landlord within two (2) business days. Upon Tenant's timely fulfillment of its obligations in either clause (1) or clause (2) immediately above, the Preliminary Maximum Approved Cost will be established.

- 3.2.5. Upon establishment of the Preliminary Maximum Approved Cost and execution of the Lease for the demised premises, Landlord will cause to be prepared and delivered to Tenant the Working Drawings, the Construction Schedule, and the Tenant Cost Proposal for the Improvements in accordance with the Final Space Plan. If the Tenant Cost Proposal is less than the Preliminary Maximum Approved Cost, Landlord will take steps necessary to commence construction of the Improvements to the Premises.

If the Tenant Cost Proposal is more than the Preliminary Maximum Approved Cost, Landlord will so notify Tenant in writing and Tenant will either (1) agree in writing to pay the amount by which the Tenant Cost Proposal exceeds the Preliminary Maximum Approved Cost or (2) request Landlord to revise the Working Drawings in order to assure that the Tenant Cost Proposal is no more than the Preliminary Maximum Approved Cost.

Tenant shall give its immediate attention to the cost proposal approval process and shall respond to Landlord within three (3) business days. Upon Tenant's timely fulfillment of its obligations in either clause (1) or clause (2) immediately above, the Final Maximum Approved Cost will be established.

- 3.2.6. Following approval of the Working Drawings and establishment of the Final Maximum Approved Cost, Landlord will cause application to be made to the appropriate governmental authorities for necessary approvals and buildings permits. Upon receipt of the necessary approvals and permits, Landlord will begin construction of the Improvements.

3.3. Space Planning By Tenant (Not Utilizing Landlord's Architect).

3.3.1. If Tenant does not use Landlord's architect, all Space Plans, Working Drawings, Estimated Construction Costs, Tenant Costs Proposals and the Construction Schedule shall nevertheless require Landlord's written approval. Such approval shall not be unreasonably withheld, but shall be subject to the conditions set forth in Section 4 below.

4. LANDLORD'S APPROVALS. Landlord, in its sole discretion, may withhold its approval of any Space Plan or Working Drawings that:

4.1. Exceeds or adversely affects the structural integrity of the Building, or any part of the ventilating, air conditioning, plumbing, mechanical, electrical, communication or other systems of the Building;

4.2. Is not approved by the holder of any mortgage or deed of trust encumbering the Building at the time the work is proposed;

4.3. Would not be approved by a prudent owner of property similar to that of the Building.

6. ADJUSTMENTS UPON COMPLETION. As soon as practicable, upon completion of the Improvements in accordance with this Work Letter (but no later than the date set forth in Section 1.6.1. of the Lease), Tenant will notify Landlord of said completion and the commencement of business operations and Tenant, within ten (10) calendar days of Landlord's written request, will execute a certificate, in substantially the form attached to the lease as Exhibit "G", Confirmation of Lease Terms, and incorporated herein by reference, confirming such information.

7. COST RESPONSIBILITIES.

7.1. Landlord: Landlord will pay up to the amount of the Tenant Improvement Allowance for the Cost of the Improvements.

7.2. Tenant: Tenant will pay for all costs in excess of the Tenant Improvement Allowance. Unless otherwise provided in the Lease, Tenant will not be entitled to any credit for any portion of the Tenant Improvement Allowance which is not used.

8. TENANT IMPROVEMENT ALLOWANCE. A one time improvement allowance in the amount set forth in Section 3.2 of the Lease will be granted by Landlord toward the installation of improvements. The allowance shall be paid upon completion of all improvements and satisfaction of the lien period.

9. ARCHITECT, ENGINEERS AND CONTRACTOR. If Tenant desires and Landlord permits the use of an architect and/or contractor other than Landlord's designated architect or contractor, all drawings and construction performed shall be subject to review and approval by Landlord or Landlord's architect or other agents, at Tenant's sole cost and expense.

In particular, the drawings submitted shall include calculations indicating existing and proposed new electrical and air-conditioning loads as necessary to show that the new work proposed will not negatively impact the existing electrical distribution or chilled water and air handler systems. The calculations shall be subject to review and approval by Landlord or Landlord's architect or other agents.

Upon completion of the project, the architect shall submit to Landlord one set of complete as-built drawings, which shall include all the changes made by the contractor in the field.

10. BOND. Tenant shall provide a surety payment bond in an amount sufficient to cover all Tenant's expenses for design fees and construction costs.

If the foregoing correctly sets forth our understanding, kindly sign all copies of this Tenant Work Letter where indicated.

ACCEPTED:

Very truly yours,

HAWAIIAN ELECTRIC COMPANY, INC.

CENTRAL PACIFIC BANK

By _____
Name: _____
Title: _____

By _____
Name: DENIS K. ISONO
Title: Executive Vice President

By _____
Name: _____
Title: _____

By _____
Name: CURTIS A. OKAZAKI
Title: Sr. Vice President and
Manager, Properties Division

(Tenant)

(Landlord)

EXHIBIT "E"

BASE BUILDING CORE AND SHELL DEFINITION

CENTRAL PACIFIC PLAZA

1. GENERAL SPECIFICATIONS.

- 1.1. Structure. Twenty-two story office tower with reinforced concrete frame, pre-stressed triple-tee floor slabs and precast exterior wall system. Covered parking garage on seven levels adjacent to office on floors basement through 7. Commercial and retail areas at ground floor with landscaped open and arcade areas.
- 1.2. Main Lobbies. Hard tile granite and carpet floors, concrete and granite walls; ceramic mural and rib textured ceiling system. Building directories. Public telephones.
- 1.3. Washrooms. Situated on all office levels. Ceramic tile floors; ceramic tile and vinyl covered walls. Toilet fixtures, vanity unit, plastic laminate toilet partitions, stainless steel accessories.
- 1.4. Elevators. Six (6) passenger elevators, 700 feet per minute and 3500 lbs. capacity, serving all twenty-two floors, including one (1) elevator with a ceiling height of 10' 6" which may be used as a freight elevator. In addition, one (1) passenger elevator exclusively serving Central Pacific Bank.
- 1.5. Loading and Delivery Areas. Loading area, situated at the ground level, consists of three (3) loading bays with a maximum clearing height of 14 feet and access to freight elevator. Two (2) delivery zones, with maximum clearing height of 6' 4" are situated at the basement level and have direct access to basement elevators.
- 1.6. Parking. Parking structure with approximately 282 spaces. Entrance from King Street and exit onto Alakea Street. Maximum clearance 6' 4".
- 1.7. Ceiling: Landlord shall furnish and install a 2' X 4' modular grid ceiling system. Landlord shall furnish the existing suspended acoustical tiles but cost and installation of new tiles shall be by Tenant at Tenant's expense.
- 1.8. Lighting: Landlord shall provide 2' X 4', 3 lamp recessed fluorescent light fixtures, as determined by Landlord together with cool white lamps. Landlord will furnish not

more than two (2) light fixtures for every 120 square feet of demised area. Installation of light fixtures shall be by Tenant at Tenant's expense.

- 1.9. Air Conditioning and Ventilation: Landlord shall provide a central distribution air conditioning system of ducted supply with return air plenum, including main supply ducts, Carrier Modubox No. 35BB3 and/or No. 35BB4, or equivalent, octopus, mounting bracket, 4 foot linear diffusers and diffuser mounted thermostat. Installation shall be by Tenant at Tenant's expense.
- 1.10. Electrical and Telephone Outlets: Landlord shall provide main electrical distribution system and telephone conduit riser and panel and telephone backboard at the building core for connection to electrical and telephone outlets by Tenant. Existing conduits for flush floor receptacles and existing telephone junction boxes shall be provided by Landlord along the exterior wall for Tenant's use in the demised area. Installation of electrical and telephone outlets shall be by Tenant in accordance with the National Electrical Code and local telephone providers' Rules and Regulations at Tenant's expense. Tenant shall furnish and install all necessary wiring, and additional panels and transformers necessary for connection to Landlord's electrical distribution system.
- 1.11. Window Covering: Landlord shall provide existing "Building Standard" mini blinds on all exterior wall windows. Any additional draperies shall be floor-to-ceiling length and shall be furnished and installed by Tenant.
- 1.12. Fire Sprinklers: Landlord shall provide a fire sprinkler main distribution loop for connection to by Tenant. Existing sprinkler heads shall be provided by Landlord. Installation of additional or relocation of existing sprinkler heads and connections to distribution piping in accordance with the Uniform Building Code and Hawaii Insurance Rating Bureau requirements shall be by Tenant at Tenant's expense. Tenant shall provide and install all other necessary pipes, fittings, and hangers necessary for connection to the main distribution loop.
- 1.13. Fire Alarm: Landlord shall provide main fire alarm riser at the building core and booster panel on floor at the building core or on adjacent floor for connection to additional fire alarm devices by Tenant. Additional fire alarm devices and modification and extension of the fire alarm system shall be by Tenant in accordance with the Uniform Fire Code as amended by the County and NFPA-72 as referenced by the Code, at Tenant's expense. Tenant shall furnish and install all necessary wiring, control components and additional booster panels necessary for connection to the fire alarm system.

- 1.14. Drinking Fountain: Landlord shall provide one (1) chilled water drinking fountain on each floor.
- 1.15. Switches: Landlord shall provide (1) electrical wall switch for each leased premises. Installation of additional switches shall be by Tenant at Tenant's own expense.
- 1.16. Tenant Identification: Landlord shall provide the following for Tenant Identification:
 - A. Tenant's name and suite number on Tenant's major entrance door to suite.
 - B. Tenant's name and suite number on master building directory in first floor lobby.

2. RETAIL COMMERCIAL SPACE.

- 2.1. Store Fronts. Clear polished plate glass in anodized aluminum frames.
- 2.2. Floor. Smooth floated concrete.
- 2.3. Walls. Concrete walls and columns.
- 2.4. Ceiling Height. 18' 2" clear height for ceiling installation by Tenant.

3. OFFICE SPACE (FLOORS 2-22).

- 3.1. Elevator Lobbies. Lobby floor carpeted to commercial specification. Vinyl Covering on walls. Suspended tee bar and concealed spline acoustic tile ceiling. Drinking fountain and ashtray are situated in elevator lobbies.
- 3.2. Windows. Grey tinted glass in anodized aluminum frames.
- 3.3. Floor. Smooth floated concrete.
- 3.4. Walls. Structural walls and columns finished with concrete wash. Landlord will provide corridor walls separating Tenant's space from common areas (except for applied finish on Tenant's side) and demising walls separating Tenant's space from adjacent Tenants.

4. MULTIPLE TENANT FLOORS ONLY

- 4.1. Corridor Walls: Landlord shall provide standard partitions constructed of 5/8 inch gypsum board on 2-1/2 inch metal studs and insulated for sound. All partition walls facing the common areas shall be finished. Partition walls facing the demised premises shall be taped and ready for finishing by Tenant.
- 4.2. Entry Door, Frame and Hardware: Landlord shall furnish and install one (1) 3/4 inch solid core, 3' 2" wide prefinished selected hardware door complete with anodized aluminum frame and finish hardware. Finish hardware shall consist of standard heavy duty lock, four (4) ball bearing butts, closer and/or door stop.
- 4.3. Elevator Lobby Walls and Corridor Walls: Walls of elevator lobbies and corridors are to have architectural finishes as selected by Landlord's architect.
- 4.4. Corridor Floors: Corridor floors shall be carpeted with high quality commercial grade carpet in colors selected by Landlord's architect.
- 4.5. Ceiling, Lighting and Air Conditioning: All similar to that provided in Sections 1.7, 1.8, and 1.9 above.
- 4.6. Demising Walls: Demising walls extending from floor to ceiling grid shall be standard gyp board partitions constructed of 5/8 inch gypsum board on 2-1/2 inch metal studs ready for painting and insulated for sound.

EXHIBIT "F"

BUILDING STANDARD SPECIFICATIONS

The following are Building Standard Specifications, to be paid for by Tenant:

1. SPECIFICATIONS APPLICABLE TO ALL TENANTS.

1.1. Electrical Energy Consumption. "Normal electrical energy consumption", as determined by comparison with other first-class office buildings of similar size and characteristics, is not more than 2.5 kilowatt hours per square foot per month during normal operating hours. The maximum electrical energy allocated for each tenant shall be as follows:

Lighting - 1.5 watts per square foot
Electrical Outlets - 1.5 watts per square foot

Should Tenant require more electrical energy than that allocated above, Tenant shall, upon prior written approval by Landlord, modify the electrical distribution system and provide all additional electrical equipment and wiring, including checkmeters if required, at Tenant's expense.

2. RETAIL COMMERCIAL SPACE SPECIFICATIONS (GROUND FLOOR).

2.1. Tenant Entryways. Two (2) 3' feet wide clear, glazed, anodized aluminum framed doors with closer.

2.2. Electricity and Telephone. Conduits can be provided from electrical panel into each rental area for future wiring.

2.3. Air Conditioning. Access to main supply air ducts for air conditioning system provided by Landlord. Tenant shall furnish and install at its own expense all other necessary equipment including but not limited to any other duct work necessary for the air conditioning system

2.4. Fire Sprinklers. Main loop and distribution piping system provided. Existing sprinkler heads supplied only by Landlord. Installation, maintenance and/or repair of additional sprinkler heads and connection to distribution piping, by Tenant.

3. OFFICE SPECIFICATIONS (FOR FLOORS 2-22).

3.1. Tenant Entryways. Single entry doors, conforming to Building standards, supplied and installed by Landlord at Landlord's expense.

3.2. Ceilings. Ceiling height of 8' 6" consisting of accessible suspended 2' X 4' modular acoustic grid system with fissured pattern tile. Existing grid and acoustic tiles, provided by Landlord and modified or installed and maintained and repaired by Tenant at Tenant's expense.

3.3. Lighting. Recessed fluorescent fixtures for task-oriented lighting is provided by Landlord per Building Standard. Modification or installation of additional fixtures by Tenant at Tenant's expense.

3.4. Electrical Outlets. All electrical work within demised premises in excess of Building Standard provided by Landlord to be installed by Tenant at Tenant's cost. Tenant shall furnish and install all necessary wiring and additional circuit breakers, electrical panels and transformers necessary for installation of new electrical outlets. Location of additional panels and transformers shall be within the demised premises.

3.5. Telephone Equipment. Tenant to arrange with telephone company for installation and connection of telephone equipment which are to be located within the demised premises. Tenant shall locate all their own telephone switch equipment within the demised premises. All telephone wires shall be installed in raceways or be plenum type routed in ceiling space and supported independently of the suspended ceiling.

3.6. Air Conditioning. Central air-conditioning distribution system of ducted supply with return air plenum, including main supply loop duct and return air slot at perimeter wall (window wall) supplied and installed by Landlord. Branch ducting, diffuser mounted thermostats and other necessary equipment shall be installed, supplied, maintained and/or repaired by Tenant.

3.7. Fire Sprinklers. Main loop and distribution piping system provided by Landlord. Installation, maintenance and/or repair of additional sprinkler heads and connection to distribution

3.8. Fire Alarm. Main fire alarm riser in building core by Landlord. Additional fire alarm devices and modification and extension of fire alarm system by Tenant.

3.9. Window Coverings. Existing conforming one-inch mini-blinds supplied and installed by Landlord. Any additional draperies required shall be floor to ceiling, furnished and installed at Tenant's expense.

- 3.11. Paint. Eggshell, off-white, two (2) coats (prime and finish).

4. MINIMUM REQUIREMENTS. Tenant's improvements must conform to the following minimum requirements:

4.1. Common Areas. Any common area resulting from subdivision by a full floor tenant of its premises shall conform in design to the common areas of multiple tenant floors. Tenant's entryways and demising partitions shall be in conformity to the standard designs specified

4.2. Tenant Space.

4.2.1. Floor Coverings. Standard floor covering shall be commercial quality carpet, conforming to Landlord's specifications (Tufted yarn weight: 30 oz. per square yard; pile height: between .250" and .281"; density: between 4,320 and 5,373; choice of four (4) colors as approved by Landlord), and shall not be affixed to the floor in any manner except by a tack strip, paste, or other material which may be easily removed without damage to the floor.

4.2.6. Lighting Pattern. The lighting pattern shall conform to the task lighting orientation and design as approved by Landlord.

4.2.7. Concrete Floors. Holes for electrical and telephone services or chases may be cut through the concrete floor slabs at Tenant's expense only with the prior written approval of and under the direction of Landlord and its consultants.

4.2.8. Concrete Walls. Chases and holes shall not be cut in any concrete wall or column without the prior written approval of and under the direction of Landlord and its consultants.

4.2.9. Office/Store Furniture & Fixtures. All furniture and fixtures exposed to public view must be new or fully reconditioned and must be suitable for use within a building of the location and character of Central Pacific Plaza or any other first-class office building. The suitability of Tenant's furniture and fixtures shall be subject to the discretion of Landlord.

5. SUBSTITUTIONS. Tenant may substitute, at Tenant's sole cost and expense, alternative materials for the materials prescribed in these Building Standard Specifications with respect to items other than window coverings, ceiling system areas visible from outside of the Premises, doors, frames and finish hardware for all entry and exit doors opening to the common areas of the floor, sprinkler heads, life safety devices light fixtures, and demising and corridor partitions, provided that, (A) the quality of such alternative materials is equal to or better than that prescribed in the Building Standard Specifications for the items in question.

EXHIBIT "G"

CONFIRMATION OF LEASE TERMS

THIS CONFIRMATION, made this _____ day of _____, _____, by and between **CENTRAL PACIFIC BANK**, a Hawaii corporation, whose principal place of business and post office address is 220 South King Street, Honolulu, Hawaii 96813, hereinafter called "Landlord" and **HAWAIIAN ELECTRIC COMPANY, INC.**, a Hawaii corporation, whose principal place of business and post office address is 900 Richards Street, Honolulu, Hawaii 96813, hereinafter called "Tenant".

WITNESSETH:

WHEREAS, under Sections 1.3, 1.4, and 1.6 of that certain Lease between Landlord and Tenant, dated _____, hereinafter "Lease", Landlord and Tenant agreed that, certain terms shall have been determined, they would execute a written memorandum expressly confirming said terms; and

WHEREAS, said terms have now been determined;

NOW, THEREFORE, in consideration of the premises, Landlord and Tenant hereby agree and confirm as follows:

1. The Area of Tenant's Premises, as set forth in Section 1.3 of the lease, is:
 - 1.3.1 Approximate usable area of Tenant's Premises: 3,947 sq. ft.
 - 1.3.2 Approximate proportionate share of common area + 585 sq. ft.
 - 1.3.3 Approximate "rentable area" of Tenant's Premises: 4,532 sq. ft.
2. Tenant's present share of the rentable area of the entire CENTRAL PACIFIC PLAZA, as set forth in Section 1.4 of the Lease, is: 1.9454 %.
3. Tenant's monthly rent, as set forth in Section 1.6 of the Lease, is:

Monthly Rent: The sum of

1.6.1 Base rent in the amount of \$0.00/mo. from 2/1/05 - 3/31/05,
\$5,665.00/mo. from 4/1/05 to 1/31/06, \$5,891.60/mo.
from 2/1/06 to 1/31/07, \$6,118.20/mo. from 2/1/07 -
1/31/10

1.6.2 Additional rent of \$ 4,350.72/mo., representing Tenant's share of
estimated operating expenses, as provided for in Section 5.7 of the Lease,
subject to adjustment as set forth in Section 30 of the Lease;

1.6.3 Hawaii State General Excise Tax (as provided for and subject to adjustment
under Section 5.6 of the Lease).


4. The Security Deposit, as set forth in Section 1.7 of the Lease, is: -0-.


IN WITNESS WHEREOF, Landlord and Tenant have executed this instrument as of the day
and year first above written.


CENTRAL PACIFIC BANK

HAWAIIAN ELECTRIC COMPANY, INC.

By 
Name: DENIS K. ISONO
Title: Executive Vice President

By 
Name: CHARLES M. FREEDMAN
Title: VICE PRESIDENT

By 
Name: CURTIS A. OKAZAKI
Title: Sr. Vice President and
Manager, Properties Division

By 
Name: JACKIE MAHLER ERICKSON
Title: VICE PRESIDENT

DATE: 2/15/05

DATE: JAN 25 2005

Landlord

Federal Identification No. 99-0040500

Tenant

DOUBLE SYSTEM

CA-IR-617
DOCKET NO. 04-0113
PAGE 89 OF 184



L-108 STATE OF HAWAII
OFFICE OF ASSISTANT REGISTRAR



R-727 STATE OF HAWAII

FOURTH AMENDMENT OF LEASE

THIS AMENDMENT, entered into this 21st day of May, 2004, by and between CENTRAL PACIFIC BANK, a Hawaii corporation, as successor-in-interest to CKSS Associates, doing business as Central Pacific Plaza, whose principal place of business and post office address is 220 South King Street, Honolulu, Hawaii 96813, hereinafter called "Landlord", and HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation, whose principal place of business and post office address is 900 Richards Street, Honolulu, Hawaii 96813, hereinafter called "Tenant",

WITNESSETH:

WHEREAS, the Landlord, successor-in-interest to CKSS Associates, as landlord, and Tenant, as tenant, entered into an Office Lease dated August 30, 1995, ("Lease"), covering 1,792 square feet of usable area of premises situated on the twelfth floor of the Building known as Central Pacific Plaza, located at 220 South King Street, Honolulu, Hawaii 96813 (the "Premises"), being Suite 1201; and

WHEREAS, a short form of said Lease, which Memorandum of Lease is dated August 1, 1995, was filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2260935 and noted on Transfer Certificate of Title No. 234,411 and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 95-119800; and

WHEREAS, said Lease was amended by Amendment of Lease dated January 16, 1996, effective as of January 16, 1996, recorded as aforesaid as Document No. 96-107420, adding 708 square feet of usable space, being Suite 1212 (the "Additional Premises"), upon the terms and conditions therein set forth; and

WHEREAS, said Lease was amended further by Second Amendment of Lease dated February 9, 1999, effective as of January 1, 1999, filed as aforesaid as Document No. 2538208 and also recorded as aforesaid as Document No. 99-063625; and

WHEREAS, said Lease was amended further by unrecorded Third Amendment of Lease dated February 13, 2002, effective as of December 1, 2001; and

WHEREAS, the parties hereto desire to amend further the Lease, upon the following terms and conditions;

NOW, THEREFORE, the parties hereto hereby mutually covenant and agree to amend further the Lease in this Fourth Amendment of Lease, as follows:

1. Section 1.5 of the Lease is hereby amended by adding the following:

The term of this lease for the Premises and the Additional Premises shall be extended for an additional four (4) years, commencing on September 1, 2004, and ending on August 31, 2008, inclusive, subject to the provisions of Section 8 hereof.

2. The base rent referred to in the last paragraph of Section 1.6.1 of the Lease, pertaining to the Premises (Suite 1201), for the period commencing September 1, 2004 through October 31, 2004, shall be \$0.00 per month, and for the period commencing November 1, 2004 through August 31, 2008, shall be \$2,572.50 per month. Section 1.6.1. of the Lease is hereby amended by adding the following:

Base rent in the amount of \$0.00 per month for the period September 1, 2004 to and including October 31, 2004.

Base rent in the amount of \$2,572.50 per month for the period November 1, 2004 to and including August 31, 2008.

3. The base rent referred to in the last paragraph of Section 1.6.4 of the Lease, pertaining to the Additional Premises (Suite 1212), for the period commencing September 1, 2004 through October 31, 2004, shall be \$.00 per month, and for the period commencing November 1, 2004 through August 31, 2008, shall be \$1,016.25 per month. Section 1.6.4 of the Lease is hereby amended by adding the following:

Base rent in the amount of \$0.00 per month for the period September 1, 2004 to and including October 31, 2004.

Base rent in the amount of \$1,016.25 per month for the period November 1, 2004 to and including August 31, 2008.

4. The current amount of operating expenses for the Premises and the Additional Premises as provided in Section 1.6.2 of the Lease is \$2,756.16 per month. Section 1.6.2 of the Lease now reads as follows:

1.6.2. Additional rent of \$2,756.16, representing Tenant's share of estimated operating expenses subject to adjustment as set forth in Section 30 hereinbelow; and

5. Landlord shall pay Tenant the sum of up to ELEVEN THOUSAND ONE HUNDRED SEVENTY AND NO/100 DOLLARS (\$11,170.00) ("Tenant Improvement Allowance") to reimburse Tenant for all or a portion of Tenant's improvements to the Premises and the Additional Premises, such sum to include construction costs, architectural and engineering fees, construction management fees, costs for space planning, construction drawings and permitting and all other costs related to construction in the Premises and the Additional Premises. Said improvements in Premises and Additional Premises shall include, but are not limited to, repainting walls or doors (costs limited to building standard paint only), installing new carpets (costs limited to building standard carpet only), replacing or adding building standard light fixtures, and ceiling tiles.

Up to twenty percent (20%) of the Tenant Improvement Allowance may be used for furniture, fixtures and equipment. Any portion of the said sum of \$11,170.00 that is not used for improvements as described above cannot be used by Tenant for any other purposes and shall instead be forfeited. Upon production by Tenant to Landlord of invoices indicating the costs and completion of said improvements, prior to January 31, 2005, Landlord shall make payment directly to Tenant's contractors, subcontractors and materialmen upon satisfaction of the lien period or earlier if lien releases satisfactory to Landlord are provided by all contractors, subcontractors and materialmen. If Tenant has previously paid such invoices, Landlord will reimburse Tenant, provided Tenant produces proof of payment having been made, along with said lien releases. Any invoices not presented for reimbursement prior to January 31, 2005, shall not be reimbursed and any portion of the allowance that would have been allocated to such invoices shall be forfeited.


All improvement work must meet with Landlord's requirements under the Lease and City and County code requirements, be done under a valid building permit, and be performed by an insured, licensed and bonded contractor. All building plans are to be submitted prior to construction for Landlord's written approval, which will not be unreasonably withheld.


6. Section 3.4 of the Lease, as amended by Section 4 of the Second Amendment of Lease, is hereby deleted in its entirety.

7. EXCEPT as hereinabove amended, all of the terms, covenants and conditions as contained in said Lease, as amended by said Amendment of Lease, said Second Amendment of Lease and said Third Amendment of Lease, shall remain in full force and effect. Landlord and Tenant hereby mutually covenant and agree to observe and perform faithfully all of the terms, covenants

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first above written.


CENTRAL PACIFIC BANK

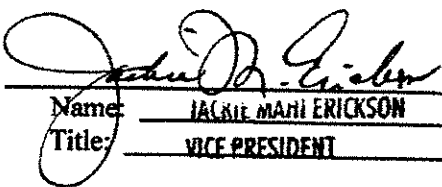
By 
Name: DENIS K. ISONO
Title: Executive Vice President
& Chief Operations Officer

By 
Name: CURTIS A. OKAZAKI
Title: Sr. Vice President and
Manager, Properties Division

Landlord

HAWAIIAN ELECTRIC COMPANY, INC.


By 
Name: CHARLES M. FLEUMAN
Title: VICE PRESIDENT

By 
Name: JACKIE MAHI ERICKSON
Title: VICE PRESIDENT

Tenant

STATE OF HAWAII)
 : SS.
CITY AND COUNTY OF HONOLULU)

On this 25th day of March, 2004, before me appeared DENIS K. ISONO and CURTIS A. OKAZAKI, to me personally known, who, ~~being by me duly sworn~~, did say that they are the Executive Vice President & Chief Operations Officer and Sr. Vice President and Manager, Properties Division, respectively, of CENTRAL PACIFIC BANK, a Hawaii corporation, and that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors, and the said officers acknowledged said instrument to be the free act and deed of said corporation.


Name: Helen Rose
Notary Public, State of Hawaii
My commission expires: July 16, 2004

STATE OF HAWAII)
 : SS.
CITY AND COUNTY OF HONOLULU)

On this 17th day of May, 2004, before me appeared CHARLES M. FREEMAN
and JACKIE MAHLERICKSON, to me personally known, who, being by me duly sworn, did say that
they are the VICE PRESIDENT and VICE PRESIDENT, respectively, of HAWAIIAN
ELECTRIC COMPANY, INC., a Hawaii corporation, and that the foregoing instrument was signed
in behalf of said corporation by authority of its Board of Directors, and the said officers
acknowledged said instrument to be the free act and deed of said corporation.

Florentina J. Johnsen LS.
Name: FLORENTINA J. JOHNSEN
Notary Public, State of Hawaii
My commission expires: 11/12/2007

Current TCT 595,207

CENTRAL PACIFIC PLAZA

HONOLULU, HAWAII

OFFICE LEASE

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CENTRAL PACIFIC PLAZA
HONOLULU, HAWAII

OFFICE LEASE

SPECIFIC PROVISIONS

THIS LEASE, made and entered into this 15th day of February, 2005, by and between **CENTRAL PACIFIC BANK, a Hawaii corporation, doing business as CENTRAL PACIFIC PLAZA**, whose principal place of business and post office address is **220 South King Street, Honolulu, Hawaii 96813**, hereinafter called "Landlord" and **HAWAIIAN**

ELECTRIC COMPANY, INC., a Hawaii corporation, whose principal place of business and post office address is **900 Richards Street, Honolulu, Hawaii 96813**, hereinafter called "Tenant",

WITNESSETH:

SECTION 1. SPECIFIC PROVISIONS. The following entries constitute certain specific provisions of this lease and are referred to elsewhere herein:

- | | | |
|------|---|----------------------------|
| 1.1. | Floor(s) on which Premises are located: | 12th |
| 1.2. | Suite number: | 1270
1250 |
| 1.3. | Subject to confirmation by the parties in the written memorandum attached hereto as Exhibit "G", the Area of Premises shall be: | |

AS TO SUITE 1270

- | | | |
|--------|---|----------------------|
| 1.3.1. | Approximate usable area of Tenant's Premises: | 1,066 sq. ft. |
| 1.3.2. | Approximate proportionate share of common area | 76 sq. ft. |
| 1.3.3. | Approximate "rentable area" of Tenant's Premises: | 1,142 sq. ft. |

AS TO SUITE 1250

- 1.3.4. Approximate usable area of Tenant's Premises: 398 sq. ft.
- 1.3.5. Approximate proportionate share of common area + 58 sq. ft.
- 1.3.6. Approximate "rentable area" of Tenant's Premises: 456 sq. ft.
- 1.4. Subject to confirmation by the parties in the written memorandum attached hereto as Exhibit "G", Tenant's present share of the rentable area of the entire CENTRAL PACIFIC PLAZA: **AS TO SUITE 1270: .4902%; AS TO SUITE 1250: 0.1957%.**
- 1.5. The term of this lease shall be **FIVE (5) YEARS** and shall commence on the **1st day of February, 2005**, (the "Lease Commencement Date"), and end on the **31st day of January, 2010**, inclusive, subject to the provisions of Section 8 hereof.
- 1.6. Monthly Rent: Subject to confirmation by the parties in the written memorandum attached hereto as Exhibit "G", monthly rent shall be the sum of

1.6.1. **AS TO SUITE 1270**

Base rent in the amount of **\$0.00** per month from the Lease Commencement Date to March 31, 2005.

Base rent in the amount of **\$1,427.50** per month from April 1, 2005, to January 31, 2006.

Base rent in the amount of **\$1,484.60** per month from February 1, 2006, to January 31, 2007.

Base rent in the amount of **\$1,541.70** per month from February 1, 2007, to January 31, 2009.

Base rent in the amount of **\$1,598.80** per month from February 1, 2009, to January 31, 2010.

AS TO SUITE 1250

Base rent in the amount of \$0.00 per month from the Lease Commencement Date to March 31, 2005.

Base rent in the amount of \$570.00 per month from April 1, 2005, to January 31, 2006.

Base rent in the amount of \$592.80 per month from February 1, 2006, to January 31, 2007.

Base rent in the amount of \$615.60 per month from February 1, 2007, to January 31, 2009.

Base rent in the amount of \$638.40 per month from February 1, 2009, to January 31, 2010.

- 1.6.2. **AS TO SUITE 1270**: Additional rent of \$1,096.32 per month from the Lease Commencement Date to January 31, 2010, representing Tenant's share of estimated operating expenses subject to adjustment as set forth in Section 30 hereinbelow; and

AS TO SUITE 1250: Additional rent of \$437.76 per month from the Lease Commencement Date to January 31, 2010, representing Tenant's share of estimated operating expenses subject to adjustment as set forth in

Section 30 hereinbelow; and

- 1.6.3. Hawaii State General Excise Tax (as provided for and subject to adjustment under Section 5.6 of this lease).
- 1.7. Subject to confirmation by the parties in the written memorandum attached hereto as Exhibit "G", the Security Deposit described in Section 32 shall be: **\$-0-**.
- 1.8. Tenant's use of Premises shall be for the following purpose(s) only:
General office use.

SECTION 2. EXHIBITS. The following drawings and special provisions are attached hereto and made a part of this lease:

Exhibit "A": General Lease Provisions.
Exhibit "B": Floor Plan Outlining the Premises.

Exhibit "C":
Exhibit "D-J".

Rules and Regulations Pertaining to CENTRAL PACIFIC PLAZA.
Tenant Work Letter

provided by all contractors, subcontractors and materialmen. If Tenant has previously paid such invoices, Landlord will reimburse Tenant, provided Tenant produces proof of payment having been made, along with said lien releases. Any invoices not presented for reimbursement prior to August 31, 2005, shall not be reimbursed and any portion of the allowance that would have been allocated to such invoices shall be forfeited.

All improvement work must meet with Landlord's requirements under the Lease and City and County code requirements, be done under a valid building permit, and be performed by an insured, licensed and bonded contractor. All building plans, except minor changes costing less than \$1,000.00, shall be submitted prior to commencement of construction for Landlord's written approval, which will not be unreasonably withheld.

- 3.3. For purposes of Section 15.2.8 herein, the rate of interest shall be twelve percent (12%) per year.
- 3.4. Insurance: With respect to Section 29, Tenant shall furnish Landlord with current certificates of such insurance, and shall name Landlord and its Managing Agent (if any) as additional insureds.
- 3.5. Early Occupancy. Provided this lease has been fully executed and Landlord has received insurance policies required in this lease substantiating coverage in the required amounts commencing on the date Tenant is allowed early access to the Premises, Landlord shall permit Tenant early access to the Premises prior to the actual lease commencement date for Tenant's planning and to begin construction. Tenant agrees to be bound by all terms of this lease except for the rental payments which are waived during this early access period. All of Tenant's demolition, renovation or construction within the Premises is contingent upon Tenant first receiving Landlord's written approval.

- 3.7. Sublease. In addition to the compliance by Tenant with Section 20 of the General Provisions, the specific use of any sublessee and the impact to the Building (and other tenants) shall be of substantive consideration in Landlord providing consent.
- 3.8. Section 16.4 of the General Provisions of this Lease is hereby amended in its entirety to read as follows:

In the event any repairs become necessary to the structural portions of the Premises, then upon written notice from Tenant to Landlord stating the necessity therefor and the nature thereof, Landlord, with reasonable promptness after receipt of such written notice, shall make any such necessary repairs specified in such notice. Landlord shall not be required to make repairs to the interior surfaces of the Premises, except where damage to such interior surface has resulted from Landlord's intentional or willful acts, omissions or defects or which were otherwise required to be kept in repair by Landlord; all damage and repairs thereof shall be insured against by Tenant with Landlord as an additional insured. Landlord may make any alterations, additions or capital improvements which Landlord may deem necessary for the preservation, safety or improvement of the Premises or the Building, or to comply with any laws, codes, regulations or ordinances now or hereafter in effect, or for the purpose of reducing energy requirements; and if such is done to comply with any such law, code, regulation or ordinance or for the purpose of reducing energy requirements, the cost thereof shall be deemed to be a part of the operating expenses for the CENTRAL PACIFIC PLAZA as provided in Section 30 hereinbelow.

- 3.9. Section 16.5 of the General Provisions of this Lease is hereby amended in its entirety to read as follows:

16.5. Except as may be specially provided herein to the contrary, Landlord has rented and Tenant hereby accepts the Premises, the common areas, and the utility services available to and designated for the Premises in "as is" condition; and Tenant agrees by taking possession of the Premises that the Premises are then in a tenantable and good condition. Except as may otherwise be provided herein, Tenant, at Tenant's own expense, shall perform all work and supply all materials necessary to prepare the Premises for occupancy by Tenant, in accordance with plans and specifications therefor prepared by and at the expense of Tenant. No work shall be commenced by Tenant until Tenant's final plans and specifications for the Premises and for connections to utility systems existing in the Building have been submitted to Landlord for review and have been approved in writing by Landlord. All work shall comply with all applicable building codes, ordinances and regulations. Before commencing any work, the Tenant shall provide Landlord with a copy of Tenant's contract with the contractor and shall furnish evidence satisfactory to Landlord that

Tenant is financially able to pay the said contractor. Unless the cost thereof shall be less than ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00), before commencing construction of any improvements in the Premises, Tenant shall furnish to Landlord a copy of a bond in an amount, in form, and with a surety acceptable to Landlord naming Landlord and Tenant as obligees and insuring completion of the proposed work free and clear of all mechanics' and materialmen's liens. Tenant will pay to Landlord a reasonable fee for review and approval of said plans and specifications, including any fees charged by an architect or engineer employed by Landlord for such review. Upon completion of construction, Tenant shall provide Landlord with a set of final plans and specifications of the improvements as constructed. Unless otherwise agreed, Tenant shall maintain the Premises and utility systems available to and designated for the Premises in the condition they existed upon the date of Tenant's inspection thereof, reasonable wear and tear excepted.

3.10. Section 16.8 of the General Provisions of this Lease is hereby amended in its entirety to read as follows:

Landlord hereby warrants that, to the best of its knowledge, no asbestos containing materials ("ACM") were used in the original construction of the ceiling, walls and insulation of the Premises. Landlord, at its sole discretion, may withhold consent to any repairs, modifications, alterations or construction within the Premises which in Landlord's opinion may result in the introduction of ACM or other Hazardous Material. In the event ACM or other Hazardous Material is discovered in or about the Premises, or in the event ACM or other Hazardous Material must be removed and Tenant's use of the Premises is affected thereby, this lease shall not be void or voidable, nor shall such discovery or work be construed as a constructive eviction unless 50% or more of the Premises is not usable. Tenant shall continue to observe all terms and conditions of this lease, except that the rent herein shall be reduced, as of the date of the interference with Tenant's use of the Premises until the date full use of the Premises is restored to Tenant, in the same proportion as the rentable area of the Premises shall have been reduced. All costs of any inspection, testing, removal, abatement, restoration, compliance with laws and regulation and monitoring due to ACM or other Hazardous Material incurred by Landlord with respect to the Premises shall be included as a Special Tenant expense as defined in Section 30. Anything herein to the contrary notwithstanding, Landlord shall not be liable for any damages due to ACM or other Hazardous Materials within the Premises or the Building, and Landlord shall not be responsible or liable for interruption of services, loss profits or any other damages due to ACM or any other Hazardous Materials.

Tenant covenants and agrees to clean-up, remove, mitigate and take any other action respecting Hazardous Materials or ACM which it has installed or brought on the Premises to the extent such clean-up, removal, mitigation, or other action is required of Tenant by the Hazardous Materials Laws. In the event Tenant fails to comply with the requirements of the Hazardous Materials Laws, and as a result of such failure to comply, Landlord, or any mortgagee of Landlord's interest are joined or named in any action, hearing, proceeding or investigation by or before any federal, Hawaii State or municipal authorities or regulatory bodies, Tenant will defend, indemnify and hold harmless each and all of the aforesaid parties against any loss, fines, penalties, damages, injuries and claims due to exposure to ACM or any other Hazardous Material, or costs (including, without limiting the generality of the foregoing, reasonable attorneys' fees and court costs).

Tenant shall not cause or permit any Hazardous Material to be used, stored, generated or disposed of on or in the Premises or the Building by Tenant, Tenant's agents, employees, contractors or invitees without first obtaining Landlord's written consent, which consent may be arbitrarily withheld by Landlord. Tenant shall not discharge, leak or emit, or permit to be discharged, leaked or emitted, any material into the atmosphere, ground, sewer system, or any body of water, if that material (as is reasonably determined by the Landlord, or any governmental authority) does or may pollute or contaminate the same, or may adversely affect (a) the health, welfare, or safety of persons, whether located on the Premises or elsewhere, (b) the condition, use or enjoyment of the Building or any other real or personal property.

Any Hazardous Material permitted on the Premises and all containers therefor, shall be used, kept, stored and disposed of in a manner that complies with all federal, state and local laws or regulations applicable to such Hazardous Material. If Hazardous Materials are used, stored, generated or disposed of on or in the Premises by Tenant except as permitted above, or if the Premises become contaminated in any manner for which Tenant is legally liable (except where Tenant is liable solely on the basis of its interest in the Premises), Tenant shall indemnify and hold harmless the Landlord from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including, without limitation, any and all sums paid for settlement of claims, reasonable attorney's fees, consultant and expert fees) arising during or after the lease Term and arising as a result of that contamination by Tenant. This indemnification includes, without limitation, any and all costs incurred

Tenant, at its sole expense, promptly shall take any and all necessary actions to return the Premises to the condition existing prior to the presence of any such Hazardous Material on the Premises. Tenant shall first obtain Landlord's approval for any such remedial action. As used herein, the term "Hazardous Materials" means and includes, without limitation, inflammable explosives, radioactive materials, asbestos, organic compounds (including polychlorinated biphenyls), pollutants, contaminants, hazardous wastes, toxic substances or related materials and any substances defined as or included in the definitions for "hazardous substances", "hazardous wastes", "extremely hazardous wastes", "hazardous materials" or "toxic substances" under the following laws, ordinances and regulations ("Hazardous Materials Laws"): Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, the Hazardous Materials Transportation Act, the Clean water Act, the Clean Air Act, the Toxic Substances Control Act, the Safe Drinking Water Act, as the same may be amended from time to time, any similar Hawaii State and local laws and ordinances, and regulations now or hereafter adopted, accomplished and promulgated pursuant thereto applying to the Premises or the Building.

3.11. Section 23 of the General Provisions of this Lease is hereby amended in its entirety to read as follows:

23. NONLIABILITY OF LANDLORD. Tenant shall and hereby does assume all risk of loss or damage to furniture, fixtures, supplies, merchandise, and other property, by whomsoever owned, stored or placed in upon or about the Premises and does hereby agree that Landlord will not be responsible for loss or damage to any such property, unless caused by the willful act or gross neglect of Landlord, and Tenant hereby agrees to indemnify and save harmless Landlord from and against any and all claims for such loss or damage, other than damage caused solely by the willful act or gross neglect of Landlord or arising solely out of a defect which Landlord is required hereunder to repair and has failed to remedy within a reasonable time after having been given notice in writing thereof. Without prejudice to the generality of the foregoing, Landlord shall not be liable, unless otherwise grossly negligent, for any damage to any property at any time stored or kept in the Premises or in any other part of the Building, either from rain or from any other water which may leak, issue or flow from any part of the Building, or from the pipes or plumbing of the same or from any other place or quarter, nor shall Landlord be liable for any damage to property in the Building caused by accident involving the elevators, or for damage of any character arising out of defects of construction either of the Building, or the Premises or any machinery, equipment, electrical wiring or facility therein or failure or breakdown thereof or from lack of repair or proper operation of the same or from any other cause, unless the sole cause is a defect which


Landlord is required hereunder to repair and Landlord shall have failed to remedy such defect within a reasonable time after written notice thereof. In any event, Landlord shall not be liable for any damage to Tenant's leasehold improvements, fixtures, personal property, or merchandise resulting from fire or other insurable hazards, regardless of the cause thereof, and Tenant hereby expressly releases Landlord from all liability for such damage. Landlord shall in no way be responsible

~~As Tenant, I agree to release Landlord from all liability for such damage.~~

IN WITNESS WHEREOF, the parties hereto have executed this indenture the day and year first above written.

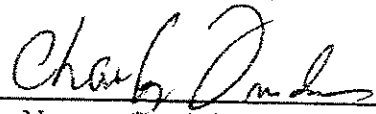
CENTRAL PACIFIC BANK

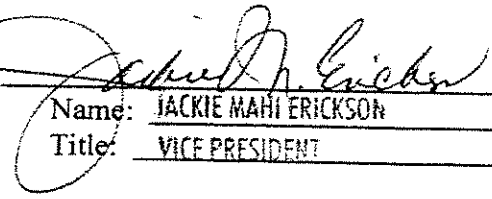
By 
Name: DENIS K. ISONO
Title: Executive Vice President

By 
Name: CURTIS A. OKAZAKI
Title: Sr. Vice President and Manager,
Properties Division

Landlord

HAWAIIAN ELECTRIC COMPANY, INC.

By 
Name: CHARLES M. FREEDMAN
Title: VICE PRESIDENT

By 
Name: JACKIE MAHI ERICKSON
Title: VICE PRESIDENT

Federal Identification No. 99-0040500

Tenant


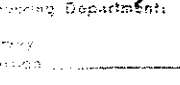
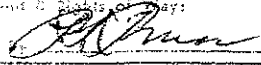
APPROVED	
Legal Form:	
By:	
Engineering Department:	
Survey	
Design	
Estimating	
Division	
and B. Rights of Way:	

EXHIBIT "A"

GENERAL LEASE PROVISIONS

THE PARTIES COVENANT AND AGREE AS FOLLOWS:

SECTION 4. PREMISES.

4.1. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon the terms and conditions herein set forth, those certain Premises described in Sections 1.1, 1.2, and 1.3, and shown outlined in red on Exhibit "B", situated in the CENTRAL PACIFIC PLAZA situated at 220 South King Street, Honolulu, Hawaii, hereinafter referred to as the "Building." The area so leased is herein called "Premises". In addition to the Premises, Tenant shall, as an appurtenance thereto, have full right of access to the Premises over and across such entrances, lobbies, halls, corridors, stairways and elevators as Landlord may from time to time designate and provide for common use by tenants in the Building.

4.2. Tenant accepts the Premises in its condition existing as of the Lease Commencement Date or the date that Tenant takes possession of the Premises, whichever is earlier, in an "as is" condition. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business. Tenant further acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty, and Landlord hereby disclaims any representation or warranty, as to the physical condition of the Premises (including but not limited to compliance with the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 *et seq.* and Hawaii Revised Statutes Chapter 489) or anything installed or contained therein, including, but not limited to, any express or implied warranty of habitability, merchantability or fitness for a particular purpose.

4.3. Unless otherwise expressly agreed upon by the Landlord and Tenant, Landlord shall deliver to Tenant and Tenant shall have the right to possess and occupy the Premises on the Lease Commencement Date, and the right to such possession and occupancy shall continue to the expiration date unless and until Tenant shall be in default of any of the terms, covenants and/or conditions contained in this lease and on the part of Tenant to be observed and performed.

SECTION 5. RENT.

5.1. Tenant shall pay to Landlord monthly in advance throughout the term of this lease or any extensions thereof the monthly rent for the Premises set forth in Section 1.6, in United States currency, over and above all other charges herein set forth and without any set-off or counterclaim whatsoever. It is the intent of the parties hereto that Tenant shall pay and Landlord shall have and

enjoy the rent set forth in Section 1.6 without any deduction therefrom on any account whatsoever. The installment of rent payable for any portion less than all of a calendar month shall be a pro rata portion of the rent payable for a full calendar month.

5.2. All payments of rent after the first payment shall be paid without notice on or before the first day of each and every calendar month during the term hereof or any extension thereof.

5.3. Every installment of rent and every other payment due hereunder from Tenant to Landlord which shall not be paid within ten (10) days after the same shall have become due shall bear interest at the rate of one per cent (1%) per month from the date that the same became due and payable until paid, whether or not demand be made therefor. It is also agreed by Tenant that since collection of any amount past due imposes an administrative cost on Landlord, Tenant shall pay to Landlord

of collection agents or attorneys or other out-of-pocket costs, Tenant will pay to Landlord a sum to reimburse Landlord for such administrative costs equal to five cents (\$.05) for every dollar past due as set forth in each billing or other written demand rendered or made by Landlord, computed on the total amount of each such billing or demand but not to exceed one such billing or demand per month.

right to apply to any judge of the First Circuit Court of the State of Hawaii to appoint an appraiser, and the two appraisers thus appointed (in either manner) shall select and appoint a third appraiser, and give notice thereof to the Landlord, and the Tenant. In the event the two appraisers so appointed shall within ten (10) days after the naming of the second appraiser fail to appoint the third appraiser, either party may apply to and have such appraiser selected and appointed by the First Circuit Court, and the three appraisers so appointed shall thereupon proceed to determine said fair rental value and the decision of any two of them shall be final, conclusive and binding upon both parties for the particular rental period then under consideration, unless the same shall be vacated, modified or corrected, all as provided in Chapter 658, Hawaii Revised Statutes, as the same is now or from time to time hereafter may be amended, provided, however, that such basic monthly rent for such period shall not be less than the basic monthly rent payable for the preceding period. The parties hereto shall each pay for the services of their own appraiser.

SECTION 7. USE.

7.1. The Premises may be used and occupied only for the purpose(s) set forth in Section 1.8 above and for no other purpose or purposes, except as permitted in writing by Landlord. Tenant shall not permit any business to be operated in or from the Premises by any concessionaire, licensee or subtenant. No use shall be made of the Premises, nor act done in or about the Premises which is illegal, unlawful, improper or offensive, or which will overload the floors or any parts of the Building or increase the existing rate of insurance upon the Building, nor shall any use be made of the Premises which would cause Landlord to be in default under any underlying lease on all or any part of the Building or any mortgage on Landlord's estate. Tenant shall not commit or allow to be committed any strip or waste upon the Premises, or any public or private nuisance or other act or thing which may interfere with or disturb the quiet enjoyment of any other tenant in the Building, nor shall Tenant overload the floor of said Premises. Tenant shall not use any apparatus, machinery or device in or about the Premises which shall cause any substantial noise or vibration. If any of Tenant's office machines and equipment should disturb the quiet enjoyment of any other tenant in the Building, then Tenant shall provide adequate insulation, or take such other action as may be necessary to eliminate the disturbance. Tenant will comply, at its own expense, with all laws, statutes, ordinances, and governmental rules and regulations applicable to the Premises.

7.2. Tenant shall not install or use any machine, apparatus or equipment which may cause heat to be emitted into the surrounding air, other than those in normal office use within the Building, without first obtaining written consent from the Landlord, which consent may be arbitrarily withheld by Landlord respecting any machine, apparatus or equipment emitting material heat.

SECTION 8. POSSESSION.

8.1. In the event of Landlord's inability to deliver possession of the Premises at the commencement of the lease term, Landlord shall not be liable for any damage caused thereby nor shall this lease become void or voidable. In such event, no rent shall be payable by Tenant to Landlord for any portion of the lease term prior to delivery of possession of the Premises, and the date of termination of this lease shall be extended by a period of time equal to the nearest number of full calendar months during which Landlord was unable to deliver possession of the Premises to Tenant. If the termination date is extended as herein provided, the parties agree to enter into a supplemental agreement amending and fixing the term of the lease as herein agreed. Unless otherwise provided for herein, in the event Tenant, with Landlord's permission, enters into possession of the Premises or commences improvements upon the Premises, prior to commencement of the lease term, all of the terms and conditions of this lease, including the payment of rent, shall apply during such prior period.

8.2. For the purposes of this Section, possession shall be deemed to be delivered on the date specified by the Landlord that the Premises are ready for occupancy notwithstanding whether or not

Tenant has completed its improvements to the Premises. Such specification shall be by written notice to Tenant from Landlord.

8.3. Except as may be otherwise herein provided, Tenant, by entering into and occupying the Premises, shall be deemed to have accepted the Premises and to have acknowledged that the same are then in the condition called for by this lease, and are in good order, condition and repair.

SECTION 9. SERVICES PROVIDED BY LANDLORD. Provided Tenant shall not be in default hereunder, Landlord agrees to furnish to Tenant electricity for lighting and normal office use (subject to Section 10 hereof), automatic elevator service, washroom facilities and supplies, and water. Landlord shall also furnish customary and reasonable janitorial and cleaning services on the basis of five (5) days per week (exclusive of holidays) within the Premises, and provide standard fluorescent lighting replacement at reasonable intervals. Landlord shall provide window cleaning services for both sides of the exterior windows of the Building, except for ground floor windows, upon determination by Landlord, at its sole discretion, that such services are required. Air conditioning as may be reasonably required for the comfortable occupation of the Premises will be furnished by Landlord during normal operating hours as specified in the Rules and Regulations attached hereto as Exhibit "C"; provided that Tenant agrees that if the air-conditioning equipment shall fail or break down, Landlord's obligation to so furnish shall be limited to taking reasonable steps to repair or replace the same so as to restore such service. All such services will be provided in accordance with the Rules and Regulations (Exhibit "C"). Except as otherwise herein provided, Landlord will use reasonable efforts to maintain the public and common areas of the Building, such as stairs, lobbies, corridors and restrooms, in good order and condition except for any damage occasioned by act of Tenant, which damage shall be repaired by Landlord at Tenant's expense. Landlord shall not be liable for any damages or for stoppage or interruption of any of said services mentioned in this Section caused by maintenance, labor disturbances or labor disputes (whether caused by Landlord or otherwise), accidents, repairs, wars, riots or other cause beyond the reasonable control of Landlord, nor shall Landlord be liable under any circumstances, for loss of or injury to persons or property, however occurring, through or in connection with or incidental to the furnishing of any of the foregoing, nor shall any such failure relieve Tenant from the duty to pay the full amount of rent herein reserved or constitute or be construed as a constructive or other eviction of Tenant. Landlord reserves the right to change the name of the Building at Landlord's sole discretion.

SECTION 10. ELECTRICITY. Tenant's use of electrical power shall not exceed the "normal power consumption" of other first-class office buildings of similar size and characteristics. The "normal power consumption" is set forth in the Building Rules and Regulations and may be adjusted from time to time. Tenant shall not install any electrical equipment requiring power in excess of that required for normal office use without first obtaining written consent from Landlord. Landlord reserves the right to install a meter in the Premises at the sole expense of Tenant and to be kept in repair at the sole expense of Tenant (including Landlord's reasonable administrative expenses in conjunction therewith) to measure the amount of electricity consumed by Tenant. If it is

determined that Tenant's consumption of electrical power exceeds the "normal power consumption" as set forth in the Building Rules and Regulations, Landlord reserves the right to increase Tenant's rent by the cost of such excess power.

SECTION 11. DAMAGE TO PREMISES.

11.1. In the event the Premises or the Building shall be destroyed or damaged by fire or other casualty, rendering the Premises or the Building untenable, Landlord may at Landlord's option, exercised by written notice to Tenant within ninety (90) days from the happening of the casualty, elect that said damage be repaired. If Landlord does not so elect to repair said damage, this lease may be terminated by either party as of the date of such damage by written notice to the other. If Landlord elects that said damage be repaired, Landlord shall at its own expense promptly repair said damage to the Building, and Tenant shall be entitled to an abatement of the rent, or a fair and just proportion thereof, according to the nature of the damage sustained, until the Premises have been made fit for occupancy and use, unless such damage or destruction was caused by the act or negligence of Tenant, its employees, agents or invitees.

11.2. If Landlord becomes obligated to repair or reconstruct the Premises or the Building, Landlord shall be responsible to repair only such portions of the Building that affect access or services essential to the Premises, and in such case, Tenant shall be solely responsible to repair all damage to the interior of the Premises and any improvements to the Premises.

12.2. LANDLORD'S OPTION TO TERMINATE. If (i) the Premises or any part thereof or interest therein is taken by condemnation or (ii) a substantial portion of the Building is taken by condemnation and Landlord shall decide to discontinue the use or operation of the Building, or to demolish, alter or rebuild the same, as a result of such taking, then in any such event stated in (i) or (ii), Landlord shall have the right to terminate this lease by giving Tenant written notice of termination within sixty (60) days after such taking. Any such termination shall be effective as of the last day of the calendar month next following the month in which such notice is given.

12.3. TENANT'S OPTION TO TERMINATE. If more than twenty-five percent (25%) of the Premises is taken by condemnation and if the remaining part is thereby rendered unfit for Tenant's use, Tenant shall have the right to terminate this lease by giving Landlord written notice of termination within fifteen (15) days after possession is lost or title passes, whichever shall first occur. Any such termination shall be effective as of the last day of the calendar month next following the month in which such notice is given.

12.4. REDUCTION OF RENTAL. If part of the Premises is taken by condemnation (other than a temporary taking which is provided for in Section 12.6) and neither Landlord nor Tenant shall terminate this lease as provided herein, then this lease shall continue in full force and effect as to the part of the Premises not taken and the rent herein shall be reduced, as of the date of such taking, in the same proportion as the useable floor area of the Premises shall have been reduced as a result of such taking.

12.5. RIGHT TO COMPENSATION. In the event of any taking specified in Sections 12.1, 12.2 and 12.3 above, all compensation and damages payable or to be paid for or by reason of such taking shall be payable to and be the sole property of Landlord without any apportionment to Tenant, and Tenant hereby assigns to Landlord any right to compensation or damages for its leasehold interest in the Premises condemned. Termination of this lease by Landlord pursuant to Section 12.2 or by Tenant pursuant to Section 12.3 shall not affect the respective rights of Landlord and Tenant to compensation and damages and Tenant shall not hereby be prevented from filing any claim for the taking of any fixtures owned by Tenant and for moving expenses.

12.6. TAKING FOR A LIMITED PERIOD. If the Premises or any part thereof shall be taken by condemnation for a limited period, this lease shall not terminate and Tenant shall continue to pay in full the rent provided for herein, in the manner and at the times herein specified. Except to the extent that Tenant is prevented from so doing by reason of any order of the condemning authority, Tenant shall continue to perform and observe all of the other covenants, agreements, terms and provisions of this lease as though such taking had not occurred. In the event of any such taking, Tenant shall be entitled to the entire amount paid by the governmental authority with respect to governmental occupancy of the Premises during the term of this lease (whether paid by the authority as damages, rent or otherwise), and in the event any such governmental occupancy extends beyond the date of termination of this lease, all such amounts paid by the governmental authority shall be

shall pay or cause to be paid for all work performed and material furnished to the Premises or Landlord's reversionary estate therein, and will keep the Premises, Landlord's reversionary estate therein and the Building free and clear of all mechanics' and materialmen's liens.

14.2. Immediately upon any attachment of any lien or entry of final judgment which establishes the validity of the lien and in which Tenant contested the claim of lien, and within fifteen (15) days after the attachment or filing of any lien for record which Tenant does not contest, and in any event, prior to any execution sale, Tenant shall fully pay and discharge such judgment or lien, as the case may be. Further, Tenant shall reimburse Landlord upon demand for any and all loss, damage and expense, including reasonable attorney's fees, which Landlord may suffer or be put to by reason thereof. Nothing contained herein shall prevent Landlord, at the cost and for the account of Tenant, from satisfying any such judgment or lien, as the case may be, in the event Tenant fails or refuses to satisfy the same as herein provided.

14.3. Should any claim or lien be filed against the Premises, or any action or proceeding be instituted affecting the title to the Premises, Tenant shall give Landlord written notice thereof as soon as Tenant obtains knowledge thereof.

SECTION 15. DEFAULT AND RE-ENTRY.

15.1. BY LANDLORD. Notwithstanding any other provision hereof, in the event Landlord fails or refuses to perform any of the provisions, covenants or conditions of this lease on Landlord's part to be kept or performed, Tenant shall, prior to exercising any right or remedy Tenant may have against Landlord on account of such default, give a thirty (30) day written notice to Landlord of such default, specifying in said notice the default with which Landlord is charged. Tenant agrees that if the default complained of in such notice is of such a nature that the same can be rectified or cured by Landlord, but cannot with reasonable diligence be rectified or cured within said 30-day period, then such default shall be deemed to be rectified or cured if within said 30-day period Landlord shall have commenced and thereafter shall prosecute diligently to completion the rectification and curing thereof. This Section does not modify in any way the provisions of Sections 22 and 23 herein.

15.2. BY TENANT.

15.2.1. Notice and Termination: Landlord's Options. In the event that:

(A) Tenant shall fail to pay said rent or any part thereof within thirty (30) days after the same becomes due, whether the same shall or shall not have been legally demanded, or

(B) Any event shall occur which shall be a breach of the section regulating the conduct of the business and use of the Premises and such breach continues beyond twenty-four (24) hours after notice thereof from Landlord to Tenant; or

(C) Tenant shall fail to observe or perform any of the other covenants herein contained and on Tenant's part to be observed and performed, and such default shall continue for five (5) calendar days after written notice thereof is given to Tenant, or if such default in observance or performance of such other covenant cannot reasonably be cured within said 5-day period, then such longer time as may be required, provided that Tenant shall within said period commence such cure and thereafter diligently prosecute the same to completion, or

(D) Tenant then owning this lease shall become bankrupt, or file any debtor proceedings, or any case or proceeding, voluntary or involuntary, be filed by or against Tenant as debtor under any provision of the Federal Bankruptcy Code or any State statute governing any debtor-creditor rights, seeking or have any order or decree rendered against Tenant directing any readjustment, arrangement, composition or reduction of Tenant's debts, liabilities or obligations, or make any assignment for the benefit of creditors or abandon the Premises, or

(E) Any mechanics' or materialmen's liens shall attach to the Premises or Tenant's estate or interest therein and shall not be discharged or released within five (5) business days after such attachment, or

(F) There is any attachment, execution, or other judicial seizure of this lease or any estate or interest of Tenant hereunder, or

(G) Tenant shall vacate or abandon the Premises for a period of fifteen (15) days during the term of this lease, excluding a temporary vacating of the Premises by Tenant that is approved in writing by Landlord,

then and in any such event (and in addition to all other rights and remedies Landlord may have according to this lease or by law provided), Landlord, at its option, shall have the following rights:

(a) The right to declare the term of this lease ended and to re-enter the Premises, or any part thereof in the name of the whole, and take possession thereof, and to terminate all of the rights of Tenant in and to the Premises, or

(b) The right, without declaring the term of this lease ended, to re-enter the Premises and to occupy the same, or any portion thereof, or to lease the whole or any portion thereof, for and on account of Tenant as hereinafter provided, or

(c) The right, even though it may have re-let all or any portion of the Premises, at any time thereafter to elect to terminate this lease for such previous defaults on the part of Tenant, and to terminate all of the rights of Tenant in and to the Premises.

Pursuant to said rights of re-entry, Landlord may remove all persons from the Premises using such force as may be necessary therefor and may remove all property therefrom without being deemed guilty of any trespass or becoming liable for any loss or damage occasioned thereby. Said rights of re-entry shall be without prejudice to any other right or remedy of action, including summary possession, which Landlord may have for rent or any other indebtedness owing by Tenant hereunder. Whether or not Landlord shall have taken any action above permitted, Landlord may bring an action for summary possession in case of such default, and in any such action, service or prior notice or demand is hereby expressly waived.

In the event of such resumption of possession under this lease, whether by summary proceedings or by any other means, Landlord or any receiver appointed by a court having jurisdiction, may dispossess and remove all persons and property from the Premises, and any property so removed may be stored in any public or private warehouse or elsewhere at the cost and for the account of Tenant, and Landlord shall not be responsible for the care or safekeeping thereof, and Tenant hereby waives any claim or cause of action, any and all loss, destruction, and/or damages or injury which may be occasioned in the exercise of any of the aforesaid acts. After thirty (30) days, property so stored shall be considered abandoned.

any notice provided for by law, Landlord, at its option, may either terminate this lease or without terminating this lease re-let the Premises or any portion thereof for such term or terms and at such rent or rents and upon such other terms and conditions as Landlord in its sole discretion may deem advisable. In addition to the foregoing, Landlord shall have the right at Tenant's cost to make such alterations and repairs to the Premises, or to divide or subdivide the Premises, as may be required or occasioned by any such re-letting. In the event Landlord re-lets the Premises or any portion thereof, Landlord may execute any such lease either in its own name or in the name of the Tenant, but Tenant shall not have any right or authority whatsoever to collect any rent from such tenant thereunder.

15.2.3.2. Upon each such re-letting, Landlord shall apply the rents and sums received from such re-letting in the following order: (a) first, to the payment of costs of recovering the Premises, including, without limitation, court costs and reasonable attorney's fees; (b) second, to the payment of any costs and expenses of said re-letting, including, without limitation, the costs of alterations and repairs, dividing and subdividing of the Premises in connection therewith, and the payment of any brokerage commissions or other similar expenses of Landlord in connection with such re-letting; (c) third, the balance, if any, shall then be applied by Landlord, from time to time, but in any event no less often than once each month, on account of the payments of rent and other payments on the part of Tenant due and payable hereunder; and (d) fourth, the residue, if any, shall be paid to Tenant.

15.2.3.3. Landlord reserves the right to bring such actions for the recovery of any deficit remaining unpaid by Tenant to Landlord hereunder as Landlord may deem advisable from time to time without being obligated to await the end of the term hereof for a final determination of Tenant's account. The commencement or maintenance of one or more actions by Landlord in this connection shall not bar Landlord from bringing other or subsequent actions for further accruals pursuant to the provisions of this Section.

15.2.4. Damages on Termination. Should Landlord at any time terminate this lease for any default, breach or failure of Tenant hereunder, then, in addition to any other rights or remedies available to Landlord hereunder or by law provided, Landlord may have and recover from Tenant at the option of Landlord: (a) all damages Landlord may incur by reason of such default, breach or failure, including, without limitation, damages for loss of rent determined, all costs of recovering the Premises, including, without limitation, court costs and reasonable attorney's fees, all unamortized brokerage commissions, all unamortized Tenant improvement costs incurred by Landlord and all costs and expenses of any re-letting, including, without limitation, all costs of alterations and repairs, dividing and subdividing of the Premises in connection therewith, all brokerage commissions or other similar expenses of Landlord in connection with such re-letting; or (b) the worth at the time of termination of this lease of the excess, if any, of the rent and other charges reserved in this lease for the remainder of the term hereof over the then reasonable rental

value of the Premises for the same period. All such amounts under either of the foregoing options, including attorney's fees of Landlord, shall be immediately due and payable by Tenant to Landlord.

15.2.5. Waiver of Default. The waiver by Landlord of any default or breach of any of the provisions covenants or conditions hereof on the part of Tenant to be kept and performed shall not be a waiver of any preceding or subsequent default or breach of the same or any other provision, covenant or condition contained herein. The subsequent acceptance of rent or any other payment hereunder by Tenant to Landlord shall not be construed to be a waiver of any preceding breach by Tenant of any provision, covenant or condition of this lease other than the failure of Tenant to pay the particular rent or other payment or portion thereof so accepted, regardless of Landlord's

SECTION 16. REPAIRS AND ALTERATIONS.

16.1. Landlord shall be under no obligation to maintain or to make any repairs, alterations or improvements to or upon the Premises or any part thereof at any time, except as otherwise expressly provided in this lease.

16.2. Tenant, at its sole cost and expense, at all times during the term hereof, shall keep and maintain the Premises, the improvements thereof, and every part thereof in good and sanitary order, condition and repair and in compliance with all applicable laws and regulations, whenever enacted. Tenant shall paint the interior surfaces of the Premises at least once during each five (5) year period of the term hereof and shall perform such maintenance, replacement or repair of wall paper, if any, of the interior of the Premises as may be required and approved by Landlord. Tenant, at its sole cost and expense, shall repair any and all damage to the roof or exterior walls of the Premises and the Building and pay for the replacement of doors or windows of the Premises and the Building resulting from the acts or omissions of Tenant, Tenant's agents, employees or invitees. Tenant hereby waives any right to make repairs at Landlord's expense. Tenant shall not make changes to locks on doors or add, disturb or in any way change any plumbing, air-conditioning system or wiring without first obtaining written consent of Landlord. Tenant shall not put any curtains, draperies or other hangings on or beside the windows in the Premises without first obtaining Landlord's consent. All required repairs shall be made with the least inconvenience reasonably possible under the circumstances to Landlord.

16.3. If Tenant refuses or neglects to repair the Premises as required hereunder and to the reasonable satisfaction of Landlord as soon as reasonably possible after written demand, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's stock or other property or to Tenant's business by reason thereof. Upon completion thereof and upon presentation of a bill thereof, Tenant shall pay Landlord's cost for making such repairs as additional rent.

16.4. In the event any repairs become necessary to the structural portions of the Premises, then upon written notice from Tenant to Landlord stating the necessity therefor and the nature thereof, Landlord, with reasonable promptness after receipt of such written notice, shall make any such necessary repairs specified in such notice. Landlord shall not be required to make repairs to the interior surfaces of the Premises, even where damage to such interior surface has resulted from Landlord's acts, omissions or defects or which were otherwise required to be kept in repair by Landlord, but any such damage shall be insured against by Tenant with Landlord as an additional insured. Landlord may make any alterations, additions or capital improvements which Landlord may deem necessary for the preservation, safety or improvement of the Premises or the Building, or to comply with any laws, codes, regulations or ordinances now or hereafter in effect, or for the purpose of reducing energy requirements; and if such is done to comply with any such law, code, regulation or ordinance or for the purpose of reducing energy requirements, the cost thereof shall be deemed

to be a part of the operating expenses for the CENTRAL PACIFIC PLAZA as provided in Section 30 hereinbelow.

16.5. Except as may be specially provided herein to the contrary, Landlord has rented and Tenant hereby accepts the Premises, the common areas, and the utility services available to and designated for the Premises in "as is" condition (including any latent conditions); and Tenant agrees by taking possession of the Premises that the Premises are then in a tenantable and good condition. Except as may otherwise be provided herein, Tenant, at Tenant's own expense, shall perform all work and supply all materials necessary to prepare the Premises for occupancy by Tenant, in accordance with plans and specifications therefor prepared by and at the expense of Tenant. No work shall be commenced by Tenant until Tenant's final plans and specifications for the Premises and for connections to utility systems existing in the Building have been submitted to Landlord for review and have been approved in writing by Landlord. All work shall comply with all applicable building codes, ordinances and regulations. Before commencing any work, the Tenant shall provide Landlord with a copy of Tenant's contract with the contractor and shall furnish evidence satisfactory to Landlord that Tenant is financially able to pay the said contractor. Unless the cost thereof shall be less than ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00), before commencing construction of any improvements in the Premises, Tenant shall furnish to Landlord a copy of a bond in an amount, in form, and with a surety acceptable to Landlord naming Landlord and Tenant as obligees and insuring completion of the proposed work free and clear of all mechanics' and

materialmen's liens. Tenant will pay to Landlord a reasonable fee for review and approval of said plans and specifications, including any fees charged by an architect or engineer employed by Landlord for such review. Upon completion of construction, Tenant shall provide Landlord with a set of final plans and specifications of the improvements as constructed. Unless otherwise agreed, Tenant shall maintain the Premises and utility systems available to and designated for the Premises in the condition they existed upon the date of Tenant's inspection thereof, reasonable wear and tear excepted.

16.6. All alterations or improvements to the Premises shall remain for the benefit of Landlord and shall not be removed unless otherwise expressly agreed in writing, and shall be presumed to become an integral part of the Premises. All fixtures installed by Tenant shall be new or completely reconditioned.

16.7. The design and all work and installations undertaken by Tenant shall be subject to the

additions and improvements if the plans or specifications therefor are not acceptable to the architect or engineer (if any) retained by Landlord to review the same. In connection with any request for approval as required by the terms of this paragraph, Landlord may charge a reasonable review fee and may retain the services of an architect, consultant or engineer, and the reasonable fees of such architect, consultant and/or engineer shall be reimbursed to Landlord by Tenant. Landlord's approval of any plans and suggestions for the revision thereof shall not be construed to be an agreement or representation on Landlord's part of the adequacy or suitability of the alterations, additions or improvements shown for the intended purposes.

16.8. ASBESTOS AND HAZARDOUS MATERIALS. Landlord hereby warrants that, to the best of its knowledge, no asbestos containing materials ("ACM") were used in the original construction of the ceiling, walls and insulation of the Premises. Tenant shall indemnify, defend and hold harmless Landlord and its employees, agents, engineers, successors and assigns against any and all damages, injuries, claims arising out of any repairs, modifications, alterations or construction within the Premises, including but not limited to, damages, injuries and claims due to exposure to ACM or any other Hazardous Material (as hereinafter defined). Landlord, at its sole discretion, may withhold consent to any such work which in Landlord's opinion may result in the introduction of ACM or other Hazardous Material. In the event ACM or other Hazardous Material is discovered in or about the Premises, or in the event ACM or other Hazardous Material must be removed and Tenant's use of the Premises is affected thereby, this lease shall not be void or voidable, nor shall such discovery or work be construed as a constructive eviction. Tenant shall continue to observe all terms and conditions of this lease, except that the rent herein shall be reduced, as of the date of the interference with Tenant's use of the Premises until the date full use of the Premises is restored to Tenant, in the same proportion as the rentable area of the Premises shall have been reduced. All costs of any inspection, testing, removal, abatement, restoration, compliance with laws and regulation and monitoring due to ACM or other Hazardous Material incurred by Landlord with respect to the Building shall be included as an operating expense as defined in Section 30. Anything herein to the contrary notwithstanding, Landlord shall not be liable for any damages due to ACM or other Hazardous Materials within the Premises or the Building, and Landlord shall not be responsible or liable for interruption of services, loss profits or any other damages due to ACM or any other Hazardous Materials.

Tenant covenants and agrees to clean-up, remove, mitigate and take any other action respecting Hazardous Materials to the extent such clean-up, removal, mitigation, or other action is required by the Hazardous Materials Laws. In the event Tenant fails to comply with the requirements of the Hazardous Materials Laws, and as a result of such failure to comply, Landlord, or any mortgagee of Landlord's interest are joined or named in any action, hearing, proceeding or investigation by or before any federal, Hawaii State or municipal authorities or regulatory bodies, Tenant will defend, indemnify and hold harmless each and all of the aforesaid parties against any loss, fines, penalties, damages or costs (including, without limiting the generality of the foregoing, attorneys' fees and court costs).

Tenant shall not cause or permit any Hazardous Material to be used, stored, generated or disposed of on or in the Premises or the Building by Tenant, Tenant's agents, employees, contractors or invitees without first obtaining Landlord's written consent, which consent may be arbitrarily withheld by Landlord. Tenant shall not discharge, leak or emit, or permit to be discharged, leaked or emitted, any material into the atmosphere, ground, sewer system, or any body of water, if that material (as is reasonably determined by the Landlord, or any governmental authority) does or may pollute or contaminate the same.

governmental regulation of the Premises regarding access of disabled persons, including without limitation, Title III of the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq. and Hawaii Revised Statutes Chapter 489, or any other similar federal, state or local laws or ordinances and the regulations promulgated thereunder, as the same may be amended from time to time (collectively "Disability Access Laws"). Landlord shall not be liable for any failure by Tenant to comply with the requirements of the Disability Access Laws with respect to the Premises during the Term hereof and Tenant expressly releases Landlord from any and all liability for any failure by Tenant to so comply. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims and demands for loss or damage, including claims for discrimination, personal injury, monetary damage or injunctive relief arising out of or in connection with any failure or alleged failure of the Premises to comply with the Disability Access Laws, and Tenant shall reimburse Landlord for all costs and expenses, including reasonable attorneys' and other professional or consultants' fees, paid or incurred by Landlord in connection with the defense of any such claims including, but not limited to, all costs for research regarding settlement or other preventive measures which Landlord may take prior to the filing of such action or to attempt to prevent the filing of such an action.

SECTION 17. INSPECTION OF PREMISES.

17.1. Tenant shall permit Landlord, Landlord's employees, agents, janitors and engineers to enter into and upon the Premises at all reasonable times to inspect and examine the same and to determine the state of repair and condition thereof and to maintain the Building, with the right to erect and maintain such scaffolding, canopies, fences and props as may be required, and all without any rebate of rent or liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned.

17.2. Tenant agrees that Landlord and Landlord's employees, janitors and engineers may retain a passkey to the Premises and may enter the same during normal business hours or at any time during emergencies by the use of such passkey for any of the foregoing purposes. Tenant shall not change any lock on the doors of the Premises. In the event Tenant changes locks, Landlord shall have the right to use any means to gain access in an emergency, and any entry made by Landlord under any circumstances shall not be construed or deemed to be an unlawful entry, nor shall Landlord be liable to Tenant for any damage whatsoever resulting from the use of force in effecting entry.

17.3. Tenant also will permit Landlord to bring prospective tenants upon the Premises to view the same from time to time during business hours within the six (6) month period prior to the expiration of the term of this lease.

SECTION 18. SURRENDER OF PREMISES. At the expiration or sooner termination of this lease, Tenant will surrender and deliver up to Landlord, possession of the Premises, including

all improvements whenever and by whomsoever made or place therein, in good condition and repair, ordinary use and wear excepted, PROVIDED, HOWEVER, that if there be no default on the part of Tenant at the termination of this lease, Tenant may, or if Landlord shall so require, by notice thereof to be given not less than sixty (60) days prior to the end of the term hereof Tenant shall, at its cost and expense, remove prior to the termination of this lease all signs and trade fixtures erected or placed upon the Premises, and on such notice, shall also remove any improvements made or placed by Tenant in the Premises, as specified in such notice by Landlord, and Tenant shall replace and repair all damage to the Premises, caused by or resulting from such removal and leave the Premises in a clean and orderly condition. In the event Tenant shall fail to perform such removal and/or restoration in accordance with the requirements hereof, Landlord may do so and Tenant, upon demand, will pay to Landlord the cost thereof, plus interest at the rate of one percent (1%) per month from the date the same be demanded by Landlord until paid. This obligation shall survive the termination of this lease. Any property left upon the Premises by Tenant at the termination of this lease will be deemed by Landlord to have been abandoned by Tenant, and Landlord may appropriate, destroy or dispose of the same without liability or accountability to Tenant.

SECTION 19. ACTION OR SUIT. In the event of any action or proceeding brought by either party hereto against the other party based upon or arising out of any breach of the terms and conditions hereof, the prevailing party shall be entitled to recover all costs, including, but not limited to, reasonable attorney's fees, from the other party. Tenant also agrees to pay all costs, including, but not limited to, reasonable attorney's fees, which may be incurred or paid by Landlord in enforcing without litigation any of the covenants, conditions or agreements contained in this lease, and all such amounts shall be deemed additional rent payable on demand. In the event of any litigation or legal expense incurred by Landlord in connection with any litigation commenced by or against Tenant (other than condemnation proceedings) in which Landlord shall without fault be made party, then Landlord will be entitled to recover from Tenant all of its costs and expenses so incurred, including reasonable attorney's fees.

SECTION 20. ASSIGNMENT, SUBLETTING AND MORTGAGING. Tenant, without the prior written consent of Landlord, shall not assign, transfer, mortgage, pledge, hypothecate or encumber this lease or any interest herein, or sublet the Premises or any part thereof. The term "sublet" shall include, without limitation, permitted use or occupancy of the Premises by any person or party other than Tenant. Any of the foregoing acts without such consent shall be void and constitute a default under this lease. Tenant recognizes and agrees that Landlord may demand and collect from Tenant a reasonable service charge, as set by Landlord, for the processing of the

hereunder, or be deemed to be a consent to any subsequent assignment, transfer, mortgage, pledge, hypothecation, encumbrance or subletting.

If at any time or from time to time during the term of this lease Tenant intends to so assign, sublet or mortgage, the following provisions shall govern:

20.1. With respect to a proposed assignment, Tenant shall submit to Landlord for Landlord's review an agreement to assign, executed by both Tenant and the proposed assignee, together with current financial statements of the assignee. Landlord shall have the option to terminate this lease by written notice given to Tenant within twenty (20) days after the agreement to assign is given by Landlord. If Landlord does not so terminate, Landlord's written consent to assignment shall nevertheless be required but shall not be unreasonably withheld. If consent is given, Tenant shall pay to Landlord as consideration therefor one-half (1/2) of any sums or other economic consideration payable to Tenant as a result of such assignment, whether or not received by Tenant, except payments received which are to reimburse Tenant for the then unamortized cost of leasehold improvements made to the Premises by Tenant. An executed copy of the assignment with the undertaking of the assignee to observe and perform all obligations of the Tenant hereunder shall be furnished to Landlord for review and written consent prior to entry by assignee into possession. This lease shall not, nor shall any interest herein be assignable as to the interest of Tenant by operation of law without the written consent of Landlord.

20.2. With respect to a proposed sublease, Tenant shall submit to Landlord for Landlord's review, an agreement to sublease, executed by Tenant and the proposed sublessee, together with current financial statements of the sublessee. If the proposed subletting is for all or any portion of the Premises, Landlord shall have the following options, exercisable by written notice given to Tenant within twenty (20) days after the proposed agreement to sublease is given to Landlord for its review: (i) Landlord may either sublet from Tenant such space at the lower of (a) the rent set forth in this lease or (b) the rent set forth in the proposed sublease agreement, and upon such other terms set forth in the proposed sublease agreement, or (ii) if the proposed subletting is for the entire Premises for the balance of the term of this lease, Landlord may terminate this lease. If Landlord

for review and written consent. Such certificate of insurance shall conform to the provisions of Section 29 herein;

20.2.3. No sublessee shall have a right to sublet further or to assign its interest without Landlord's written consent;

20.2.4. One-half (1/2) of any sums or other economic consideration payable from time to time to Tenant as a result of such subletting, whether or not received by Tenant and whether denominated rent under the sublease or otherwise, which exceed in the aggregate the total sums which Tenant is obligated to pay to Landlord under this lease, prorated to reflect obligations allocable to that portion of the Premises subject to such sublease (except rent or other payments received which are attributable to the amortization of the cost of leasehold improvements made to the sublet portion of the Premises by Tenant) shall be payable to Landlord as additional rental under this lease without affecting or reducing any other obligation of Tenant hereunder;

20.2.5. The sublease and all rights of the sublessee thereunder shall be subject to this lease; and

20.2.6. Tenant shall pay to Landlord a reasonable fee for any sublease submitted to Landlord for review and consent.

20.3. With respect to Tenant's intention to mortgage, Tenant shall submit to Landlord a copy of the proposed mortgage and the note to be secured thereby for Landlord's review. Tenant shall not mortgage this lease or any interest herein without the prior written consent of Landlord, provided that such consent shall not be unreasonably withheld if the proposed mortgagee is a recognized lending institution and the mortgage is for the purpose of making improvements on the subject Premises. Upon recordation of all documents relating to the mortgaging of this lease or any interest herein, Tenant shall deliver to Landlord certified copies of same as soon as possible thereafter.

SECTION 21. CHANGE OF CONTROL. If at any time during the term hereof, the ownership of Tenant's business shall be changed as a result of any sale of assets, sale of stock, merger, consolidation or otherwise so as to result in a change in the controlling interest in said business, Tenant shall give immediate notice thereof to Landlord and Landlord may terminate this lease at any time after receipt of such notice or if such notice shall not be given, after discovery by Landlord of such change in controlling interest by giving Tenant sixty (60) days' written notice of such termination unless Tenant shall furnish reasonably adequate assurance that there has been no reduction in the financial responsibility of Tenant as a result of the change.

SECTION 22. BANKRUPTCY OF TENANT.

or for any damage done to Tenant's effects by Landlord's janitorial personnel or any other employee or any other person. Tenant shall give to Landlord prompt written notice of any accident to, or defect in, any water or other pipes or plumbing, electric lights or fixtures or other fixtures or other equipment or appurtenances of the Premises. Landlord shall not be liable or responsible for any loss or damage sustained by Tenant, Tenant's agents, employees, business guests, invitees, licensees, or subtenants, by reason of the negligence, willfulness or malice of any other tenant, occupant, invitees, licensee or trespasser of the Property, or of any other person.

SECTION 24. INDEMNITY AND RISK OF INJURY. Tenant will and does hereby assume all risk of bodily injury, wrongful death and/or property damage from any cause whatsoever, by reason of the use, occupancy and enjoyment of the Premises occasioned by any nuisance made or suffered in the Premises, or resulting from any failure on the part of Tenant to maintain the Premises in a safe condition, and Tenant hereby agrees to indemnify and save harmless Landlord from and against any and all claims, actions, proceedings, expenses, damages, and other liabilities, including attorneys' fees and other legal expenses, arising from or in connection with this lease or the Premises, and Tenant shall pay any such indemnification amounts immediately upon demand as additional rent.

Without limitation, Tenant will indemnify and save harmless Landlord against and from any and all claims by or on behalf of any person or persons, firm or firms, corporation or corporations, arising from the conduct or management of any work or thing whatsoever done by Tenant or Tenant's agents, employees, invitees, licensees, or trespassers in or about, or from transactions of Tenant concerning the Premises, and will further indemnify and save Landlord harmless against and from any and all claims arising from any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of Tenant to be performed pursuant to the terms of this lease, or arising from any act or negligence of Tenant, or any of its agents, contractors, servants, employees, invitees or licensees and from and against the costs, attorney's fees, expenses and liabilities incurred in or about any such claim of any action or proceeding brought thereon.

SECTION 25. ADVERTISING. Tenant shall not inscribe any inscription or post, place or in any manner display any sign, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Premises or the Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Premises, except as permitted under the Rules and Regulations of the Building (Exhibit "C").

SECTION 26. RULES AND REGULATIONS. Landlord, for the proper maintenance, safety, order and cleanliness of the Building, and for the rendering of good services, the protection and the quiet enjoyment of tenants, may from time to time make, amend and enforce rules and regulations appropriate for such purposes applicable to all tenants of the Building. The rules and regulations in force at the date hereof are those set forth in Exhibit "C". Tenant shall observe and comply with all such rules and regulations, including those set forth in Exhibit "C", and all amendments thereto and all additional rules and regulations of which Tenant receives notice which

are not inconsistent with the terms of this lease. Landlord shall not be liable or responsible to Tenant for the violation by any other tenant or occupant of the Building of any such rules or regulations.

SECTION 27. SUBORDINATION. This lease shall be subject to and subordinate at all times to any underlying leases which may hereafter be executed affecting the Building, to such liens and encumbrances, including mortgages, as are now on or as Landlord may hereafter impose on the Building or the Premises, and on Landlord's interest or estate herein without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination, and such subordination of Tenant's interest shall be self-operating and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant agrees to promptly execute and deliver any instrument that the holder of any such underlying lease or lien holder may require to evidence such subordination, and Tenant hereby irrevocably appoints Landlord its attorney-in-fact to execute and deliver such instruments on behalf of Tenant should Tenant refuse or fail to do so within ten (10) days after request is made. If there shall be any conflict between the terms and conditions of this lease and the terms and conditions of any underlying lease, the terms and conditions of any underlying lease shall control. If any Landlord under such underlying lease or such holder of a lien or purchaser on foreclosure of such lien shall require, Tenant shall attorn to it and this lease shall then continue in effect in the event of termination of such underlying lease or acquisition of the interest of Landlord by such lien holder or purchaser on foreclosure of such lien. Said power of attorney is coupled with an interest and shall be irrevocable. Said liens shall include, without limitation, the lien of a mortgage executed in part to secure a loan to pay for the construction of improvements in or to the Building.

SECTION 28. ESTOPPEL CERTIFICATE.

28.1. Tenant shall at any time upon not less than ten (10) days' prior written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, (ii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed and (iii) acknowledging or certifying such other matters as may be reasonably requested. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

28.2. At Landlord's option, Tenant's failure to deliver such statement within such time shall be a material breach of this lease or shall be conclusive upon Tenant (i) that this lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance, and (iii) that not more than one month's rent has been paid in advance. Tenant hereby constitutes and appoints Landlord as Tenant's attorney-in-fact to

execute any such statement or statements on behalf of Tenant in the event Tenant does not do the same within the time period provided herein.

28.3. If Landlord desires to finance, refinance, or sell the Premises, or any part thereof, Tenant hereby agrees to deliver to any lender or purchaser designated by Landlord such financial statements of Tenant as may be reasonably required by such lender or purchaser. Such statements shall include the past three years' financial statements of Tenant. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

SECTION 29. INSURANCE.

29.1. Tenant shall procure at Tenant's expense and keep in force during the term of this lease and any extension thereof comprehensive general liability insurance, such insurance to have reasonable minimum limits set by Landlord from time to time, based on acceptable minimum limits used for similar properties at the time of such setting, but initially not less than \$1,000,000 for property damage liability, and \$1,000,000 for injuries or deaths in any one occurrence. All of such insurance shall be primary and noncontributing with any insurance which may be carried by Landlord or Landlord's Managing Agent. The adequacy of the coverage afforded by said liability and property damage insurance shall be subject to review by Landlord from time to time, and if it appears in such a review that a prudent business person in Honolulu, Hawaii, operating a similar business to that operated by Tenant on the Premises would increase the limits of its liability and property damage insurance, Tenant shall to that extent forthwith increase such limits.

29.2. Tenant shall procure at its own expense and will keep in force during the term of this lease and any extension thereof insurance on all improvements (as defined in Section 55 hereinbelow) whenever and by whomsoever made in the Premises with fire, extended coverage, vandalism, malicious mischief and sprinkler leakage coverage and in time of war against war damage to the extent such governmental insurance is obtainable, in an amount equal to the full replacement cost thereof, without deduction for depreciation. Tenant shall pay all premiums on such insurance when due. In every case of loss or damage to such improvements, Tenant with all reasonable speed will use all proceeds of such insurance for rebuilding, repairing or otherwise reinstating the improvements in a good and substantial manner, and Tenant will make up from its own funds any deficiency in the insurance proceeds, unless this lease is terminated as provided in Section 11 above, in which case Tenant shall be entitled to payment from the proceeds of an amount equal to Tenant's unamortized cost of improvements made by Tenant at Tenant's cost, and the balance of the proceeds shall be kept by Landlord.

29.3. Tenant shall procure at Tenant's own cost and expense and keep in force during the entire term of this lease, insurance on Tenant's furniture, equipment, fixtures, merchandise and

inventory and all other property located in the Premises, in an amount equal to the full replacement cost thereof, without deduction for depreciation, against fire and extended coverage risks.

29.4. Tenant shall procure and maintain in force and effect, at all times, a policy of insurance for actual rent loss sustained from necessary untenability caused by damage to or destruction of the Premises, or any portion thereof, from perils of fire, extended coverage and special extended coverage, such policy to be in an amount at least equivalent to the annual rental value of the Premises and payable in case of loss to Landlord and Tenant as their respective interests may appear.

29.5. All policies mentioned in this Section 29 shall be subject to the approval of Landlord and issued by an insurance company authorized to do business in Hawaii. All such policies shall be for the mutual and joint benefit and protection of Landlord, Tenant, any mortgagee, if any, of Landlord's and/or Tenant's interest hereunder, Landlord's Managing Agent and others hereinabove mentioned, and executed copies of such policies of insurance or certificates thereof shall be delivered to Landlord within ten (10) days after delivery of possession of the Premises to Tenant and thereafter within thirty (30) days prior to the expiration of the term of each such policy. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent. All policies of insurance delivered to Landlord must contain a provision that they shall remain in full force and effect until the company writing said policy gives to Landlord, Landlord's Managing Agent and Landlord's mortgagees, if any, thirty (30) days' notice in writing in advance of any cancellation or lapse or the effective date of any reduction in the amounts of insurance. All general liability and property damage policies shall contain a provision that Landlord, although named as an insured, shall nevertheless be entitled to recovery under said policies for any loss occasioned to it, its servants, agents and employees by reason of the negligence of Tenant. All general liability, property damage and other casualty policies shall be written as primary policies, not contributing with and not in excess of coverage which Landlord may carry.

29.6. Tenant's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy of insurance carried and maintained by Tenant; provided, however, that the requirements set forth herein are otherwise satisfied.

29.7. If and to the extent of those risks as to which waiver of rights of subrogation is permitted by their respective insurers, Landlord and Tenant hereby waive the rights each may have against the other on account of any loss or damage occasioned to Landlord or Tenant, as the case may be, their respective property, the Premises, or its contents, or to other portions of the Building, arising from any risk generally covered by fire and extended coverage insurance. Tenant agrees to use its best efforts to have its insurance company insuring its property against any such loss, waive any right of subrogation against Landlord.

29.8. Tenant agrees to pay to Landlord forthwith upon demand the amount of any increase in premiums for insurance that may be charged during the term of this lease on the amount of insurance maintained in force by Landlord on the Property, which results from Tenant doing any act in or about the Premises that increases the insurance rates, whether or not Landlord shall have consented to such act on the part of Tenant. If Tenant installs upon the Premises any electrical equipment that constitutes an overload on the electrical lines of the Premises, Tenant at its own expense shall make whatever changes are necessary to comply with the requirements of the insurance underwriters and any governmental authority having jurisdiction thereover, but nothing herein contained shall be deemed to constitute Landlord's consent to such overloading.

SECTION 30. OPERATING EXPENSES.

30.1. PAYMENT OF ADDITIONAL RENT. The monthly rent provided in Section 1.6 above is the sum of (A) a base rent as set forth in Section 1.6.1 plus (B) Tenant's share of the average monthly estimated operating expenses (computed on the basis of known or estimated operating expenses for each calendar year) as set forth in Section 1.6.2, plus (C) the Hawaii State General Excise Tax as set forth in Section 5.6 above. ~~The intent of this Section 30 is to obligate the tenants~~

in the Building to fully reimburse Landlord for all operating expenses (as hereinafter defined) such that this lease shall be fully "net-net-net" to Landlord. The amount of Tenant's initial share of said estimated operating expenses for the calendar year in which the term hereof commences is as stated in Section 1.6.2 above. The monthly rental payable to Landlord shall be adjusted annually as of the commencement of each calendar year by increasing the additional rent for such year over the additional rent payable during the preceding year by the amount of Tenant's share of any increase in the estimated operating expenses for such year over the estimated operating expenses for the preceding year or by reducing the additional rent for such year by the amount of Tenant's share of any reduction in the estimated operating expenses as compared with the estimated expenses for the preceding year. Landlord shall notify Tenant of Tenant's share of the estimated operating expenses

of Landlord to so act being inferred from this provision). If undertaken by Landlord such programs may increase or decrease the square footage of the total rentable area of the Building. Aside from temporary conditions, that is, periods of not longer than four months duration to allow for construction, any material change in the total rentable area of the Building shall be taken into account and Tenant's proportionate share of Building area shall be recomputed and determined. Tenant's redetermined proportionate share of the Building shall be fixed for all purposes of this lease at the higher or lower percentage, subject to further revision if there should again be a material change in the total rentable area of the Building. The time for recomputation of Tenant's fair share shall be the date on which a reconstructed area in the Building is first occupied, in whole or in part, by Tenant, except that if space should be modified and abandoned as tenant area by Landlord, the effective date thereof shall be deemed the date on which such area of the Building is placed in substantially completed condition in accordance with Landlord's construction plan for such space. Tenant's "fair share" of those costs for such services rendered to Tenant, but not rendered to all tenants, shall be in the same proportion as the rentable area bears to the total rentable area to which such services are rendered. The proportionate amount shall be divided by 12 to give Tenant's monthly "fair share."

30.2. ANNUALIZATION. After the end of each calendar year (including the years in which the term hereof commences and terminates) Landlord shall compute the actual operating expenses for such calendar year, to the extent not already computed, and notify Tenant of any correction from the estimated operating expenses as soon as reasonably possible after the end of each such year. Within thirty (30) days after the giving of notice that the actual expenses were greater than the estimated expenses, Tenant shall pay to Landlord an amount equal to Tenant's share of the excess of the actual operating expenses over the estimated operating expenses upon which Tenant's rent had been based during the preceding year. Should it be determined that the actual operating expenses for any year were less than the estimated operating expenses, Tenant shall be entitled to a credit against future rent payments, or a refund in the case of the last year of the term hereof, in an amount equal to Tenant's share of the difference between the actual operating expenses and the estimated operating expenses.

30.3. DEFINITION OF OPERATING EXPENSES. Operating expenses shall be determined in accordance with generally accepted accounting principles as applied to operation and maintenance of first class office buildings in Honolulu, and the term "operating expenses" shall mean all of the expenses which shall be incurred or paid on account of such operation and maintenance of the Building, including without limitation, all parking facilities. Said operating expenses shall include, without limitation to the generality of the foregoing, the costs of utilities, automated control systems, heating, elevators, air conditioning, trash disposal, repairs and maintenance, security control, janitorial services, management contracts (or the cost of equivalent management services computed at the prevailing rate charged from time to time by companies generally in the management business, whichever is higher), supplies, wages and salaries of employees used in maintenance and general operations (as distinguished from the cost of management contracts or equivalent management services aforesaid), and payroll taxes (and similar governmental charges) with respect thereto,

depreciation or rental of common area furnishings and equipment used in operation and maintenance, bookkeeping expenses, fees of operator of parking facilities and other expenses of operation thereof (or the cost of equivalent parking management services computed at the prevailing rate charged from time to time by companies generally in the parking management business), legal fees and expenses, financing expenses relating to operation and management, landscaping expenses including the replacement of plants and sprinkler systems, insurance (including fire and extended coverage, vandalism and malicious mischief, plate glass, difference in conditions coverage, public liability and property damage and workmen's compensation insurance customarily carried by owners of first class office buildings), that part of office rent or rental value of space in the building used or furnished by Landlord to enhance, manage, operate and maintain the building, taxes upon or measured by Landlord's gross income to the extent that such taxes have not already been recovered under Section 5.6 of this or similar leases (but excluding taxes upon or measured by Landlord's net income), all federal, state and local government taxes, assessments and charges of every kind or nature, whether general, special, ordinary or extraordinary, including but not limited to real property taxes, which Landlord shall pay or become obligated to pay because of or in connection with the ownership, leasing, management, control or operation of the Building (including the land on which it is situated), or of the personal property, fixtures, machinery, equipment, systems and apparatus located or used in connection with the Building, all fees, costs and expenses (including attorneys' fees) paid by Landlord during such year in seeking or obtaining any refund or reduction of such taxes, the cost and expenses of any audit of the books and records of management and its determination and allocation of operating expenses for the Building, the cost and expenses of any contest by appropriate legal proceedings of the amount or validity of any such taxes, charges or other assessments, the acquisition or replacement cost of common area fixtures, furnishings, carpeting, wallcoverings and flooring, and the cost of alterations, additions and capital improvements required by any laws, codes, regulations or ordinances now or hereafter in effect or made by Landlord to reduce energy requirements (amortized over their reasonable life with interest at the rate usually charged Landlord for borrowing on the amount of such cost, or if the Landlord is prohibited by law from charging interest at such rate, at the maximum rate then allowed by law). The operating expenses shall not include depreciation on real property, brokers' commissions or interest.

30.4. NORMALIZATION AND PRORATION. For the purpose of determining increase in rental payable by Tenant under this Section 30, the calculation shall be based on a full calendar year and additional rent computed as herein set forth shall be deemed to have accrued uniformly during the calendar year. The final payment under the provisions of this Section for the year in which this lease terminates shall be prorated, based on the actual expenses for such year, through the termination of this lease and any additional rent shall be due or a refund of overpayment made thirty (30) days after notification to Tenant of any adjustment as provided in Section 30.2. If any part of the Building is not fully occupied and used during any year, for the purpose of calculations under this Section 30, the operating expenses, both estimated and actual for such year, shall be adjusted by adding amounts and items of operating expenses which would normally have been incurred if the property had been fully occupied and used during the entire year and deducting any abnormal start-up

costs incurred, all as estimated by Landlord, and the percentages set forth in Section 1.4 hereinabove are and shall be based on an assumed full occupancy.

30.5. SPECIAL TENANT'S EXPENSES. Where (1) any expense over and above normal operating expenses is incurred or paid by Landlord specifically for the benefit of and at the request of a particular tenant, or (2) any expense which is part of normal operating expenses undergoes an increase from the previous billing period of over fifty percent (50%), Landlord, in its sole discretion, may charge such expense immediately & directly against the tenant to which the expense applies rather than including such expense in operating expenses for the purpose of this Section 30.

30.6. DEFINITION OF AREA. The term "usable area" shall consist of the area outlined in red on Exhibit "B". For full floor tenants, the usable area of a floor shall be computed by measuring the area bounded by the interior surface of the permanent outer building walls excluding however, any major vertical penetrations of the floor. No deduction shall be made for columns or other projections necessary to the building. For multiple tenants occupying a single floor, usable area shall be computed by measuring the area bounded by the interior surface of corridor walls or other permanent walls, the center of partitions separating the demised Premises from adjoining usable areas and the inside finished surfaces of the glass walls. No deduction shall be made for columns or other projections necessary to the building. The usable and rentable areas are subject to adjustment from time to time to correct any error in measurement or if changes are made to the Premises and the percentages applicable shall be adjusted accordingly.

30.7. AUDIT OF OPERATING EXPENSES. Operating expenses for the Building shall be audited annually by a firm of certified public accountants selected by Landlord. Such audited statement shall be available for inspection by Tenant during normal business hours upon 72 hours' prior notice. If operating expenses according to such audit shall differ from the operating expenses estimated by Landlord pursuant to Section 30, the expenses according to such audit shall be deemed correct, and an appropriate adjustment shall be made in the rent as herein provided in Section 30.

SECTION 31. PARKING AND TRAFFIC. The right of Tenant, its customers, invitees and employees to use the common areas in the CENTRAL PACIFIC PLAZA for ingress, egress and parking shall be subject to Landlord's right to impose reasonable traffic rules, regulations and routing and to prohibit parking by employees of the tenants in order to provide adequate parking for customers and invitees of the tenants. Landlord further reserves the right to assess Tenant for any extra parking charges upon written notice to Tenant.

SECTION 32. CURE AND SECURITY DEPOSIT.

32.1. Concurrently with the execution of this lease, Tenant shall deliver to Landlord a sum equal to the amount which is set forth in Section 1.7 as security for the performance by Tenant of every covenant and condition of this lease. Said deposit may be commingled with other funds of

Landlord and shall bear no interest. In the event that the monthly rent shall increase from time to time during the term of this lease, Tenant shall deposit with Landlord within five (5) days after the effective date of such increase, additional security deposit so that the amount of the security deposit

designate to Tenant, and any such notice shall be deemed conclusively to have been given to Tenant.

levels below the level of the original Premises. Tenant shall be entitled to a ratable reduction in the rent for any period in excess of one (1) day during which Tenant is reasonably prevented from operating its business on account of such relocation. The parties shall immediately execute an appropriate amendment to this lease reflecting the substitution aforesaid.

SECTION 42. SERVICE CONTRACTS. Any services which Landlord is required to furnish pursuant to the provisions of this lease may, at Landlord's option, be furnished from time to time in whole or in part by employees of the managing agent of the property or by one or more third persons. Landlord further reserves the right to require Tenant to enter into agreements with such third persons, in form and content approved by Landlord for the furnishing of such services.

SECTION 43. NO RENT REDUCTION. Except as provided elsewhere under those provisions of this lease which specifically refer to rent reduction, Tenant shall not be entitled to any suspension, abatement or reduction of rent, nor to the recovery of any sums for any loss or damage on account of the interruption of the use of the Premises or of any of the services required to be furnished by Landlord hereunder by reason of delays beyond the reasonable control of Landlord.

SECTION 44. CANCELLATION NOT MERGER. The voluntary or other surrender of this lease by Tenant, or a mutual cancellation thereof, or the termination thereof by Landlord pursuant to any provision contained herein, shall not work a merger, but at the option of Landlord shall either terminate any or all existing subleases or subtenancies hereunder, or operate as an assignment to Landlord of any or all of such subleases or subtenancies.

SECTION 45. SUBMISSION FOR REVIEW. The submission of this lease for examination does not constitute a reservation of or option for the Premises and this lease becomes effective as a lease only upon execution in full by all parties and delivery thereof by Landlord to Tenant.

SECTION 46. RESERVATION OF LANDLORD. Landlord reserves the right to place, maintain, repair, replace, renovate, remodel, make additions to, or demolish such utility lines, pipes, tunneling walls, ceilings, floors, public areas, restrooms, elevators, stairs, common areas and the like, in, under, over and upon the Premises as may be reasonably necessary or advisable for the servicing, remodeling, or repairing of the Premises or of other portions of the Building of which the Premises are a part. Landlord reserves the right to enter the Premises at any time for the purpose of performing such work. Landlord further reserves the right to change the name of the Building at Landlord's sole discretion.

SECTION 47. SUCCESSORS. All of the covenants, agreements, terms and conditions contained in this lease shall apply to, accrue to and be binding upon Landlord and Tenant and their respective heirs, personal representatives, successors and assigns. On any sale or conveyance by Landlord of the Building, the buyer or grantee shall become responsible for all of the covenants and conditions herein contained and on the part of Landlord to be observed or performed after the time

of such sale or conveyance and the seller or grantor shall be released therefrom except as to obligations already accrued.

SECTION 48. SHORT-FORM COUNTERPART. This lease shall not be recorded, but upon the request of either party, the other party shall execute and deliver to any party requesting the same, a recordable short-form of this lease sufficient to give constructive notice of the leasehold estate hereby created, and said short-form counterpart may be filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, and/or recorded in the Bureau of Conveyances of the State of Hawaii. If a short-form counterpart of this lease is recorded, Tenant agrees, at Tenant's expense, once the lease is terminated, to execute a recordable instrument evidencing such termination. Tenant hereby appoints Landlord as Tenant's attorney-in-fact for the purpose of executing any memorandum of lease as evidence of the termination of this lease, such appointment being coupled with an interest to be irrevocable and not affected by specific revocation, death, incompetence or other cause.

SECTION 49. CONVEYANCE TAX. Tenant shall be solely responsible for any conveyance tax payable to the State of Hawaii pursuant to Section 247, Hawaii Revised Statutes, as amended, which may be incurred by Landlord under this lease.

SECTION 50. GENERAL. The necessary grammatical changes required to make the provisions of this lease apply in the plural sense where there is more than one tenant and to either corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed. The term "Premises" shall mean the area specifically described in the demise from Landlord to Tenant, except where such meaning would be clearly repugnant to the content. Any conflict between the printed provisions of this lease and properly initialed typewritten or handwritten provisions shall be controlled by the initialed typewritten or handwritten provisions.

SECTION 51. WAIVER OF JURY TRIAL. The parties each hereby waives trial by jury in any action, proceeding or counterclaim brought by either against the other on any matter whatsoever arising out of or in any way connected with this lease, the relationship of Landlord with Tenant, Tenant's use or occupancy of the Premises, including any claim of injury or damage, and any emergency and other statutory remedy with respect thereto.

SECTION 52. WAIVER OF RIGHTS OF REDEMPTION. Tenant expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Premises by reason of the violation by Tenant of any of the covenants or conditions of this lease, or otherwise.

SECTION 53. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of Landlord and Tenant and supersedes all oral and written agreements and understandings made and entered into by the parties hereto prior to the date hereof. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each of them.

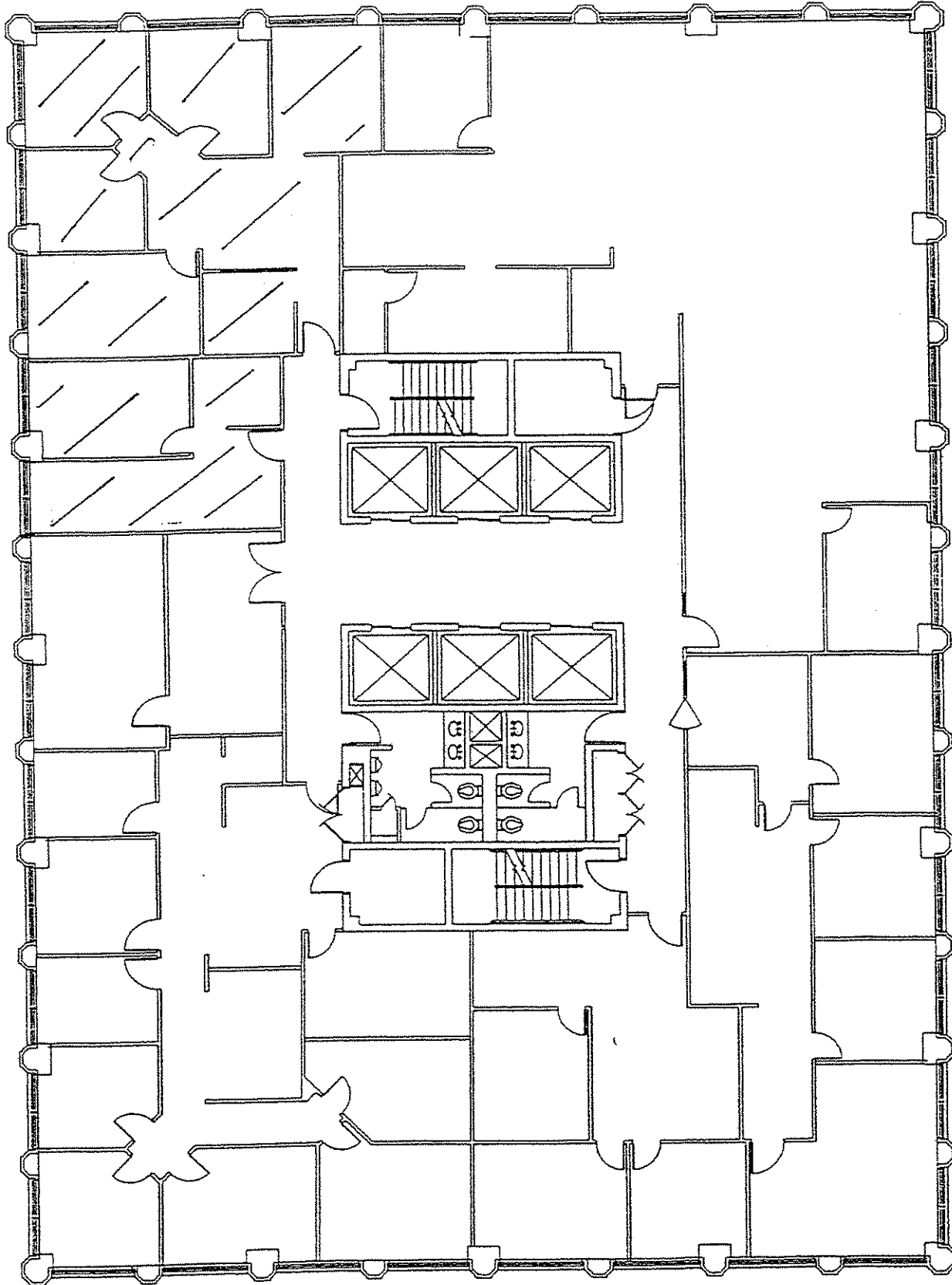
SECTION 54. APPLICABLE LAWS. This lease shall be governed by the laws of the State of California.

55.6. The term "Landlord" in these presents shall include the above-named Landlord and its successors and assigns.

55.7. The term "Tenant" or any pronoun used in place thereof shall indicate and include the masculine or feminine, the singular or plural number, individuals, firms or corporations, and their and each of their respective successors, personal representatives and permitted assigns, according to the context hereof. In any case where this lease is signed by more than one person, the obligations hereunder shall be joint and several.

55.8. No payments by Tenant or receipt by Landlord of a lesser amount than the rent stipulated in this lease shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this lease provided.

55.9. Landlord does not, in any way or for any purpose, become a partner of Tenant in the conduct of its business, or otherwise, or joint venturer or a member of a joint enterprise with Tenant.



12th Floor Plan

DATE PRINTED: 03/04/03

EXHIBIT "C"

RULES AND REGULATIONS

These rules and regulations have been adopted for the purpose of ensuring order and safety in the Building and to maintain the rights of Tenants and Landlord. Landlord reserves the right to modify, supplement or rescind any of these rules for the safety, care and cleanliness of **Central Pacific Plaza** and the preservation of good order therein. Landlord may waive any one or more of these rules and regulations for the benefit of any particular Tenant or Tenants, but no such waiver by Landlord shall be construed as a waiver of such rules and regulations in favor of any other Tenant nor Tenants, nor prevent Landlord from thereafter enforcing any such rules and regulations against any or all of the Tenants of the Building. Each Tenant shall be liable for injury or damage caused by the infraction of any of these rules by its employees, agents or invitees, and Landlord may repair such damage.

DELIVERIES AND SERVICE AREA: Only hand trucks equipped with rubber tires and slide guards will be permitted in the Building. ALL DELIVERIES SHALL ONLY BE BROUGHT THROUGH THE BASEMENT. All deliveries requiring exclusive use of an elevator shall be scheduled through the Building Engineer, and in any event, such use will not be permitted without the use of elevator protective padding and such use will not be permitted between the hours of 7:00 a.m. to 8:30 a.m., 11:00 a.m. to 1:30 p.m., and 3:30 p.m. to 5:30 p.m. All persons making deliveries to any Tenant shall sign the Delivery Log in the Security Office.

HEAVY ITEMS: All carrying in or out of freight, packages or bulky matter of any description must take place only during hours selected by Landlord and only with prior notice to and approval by Landlord. No objects beyond the rated capacity of elevators shall be brought into the Building. Landlord shall have the right to prescribe the location of heavy objects and if considered necessary, the means to distribute weight thereof (to no more than 50 pounds per square foot unless written approval is granted by Landlord). All costs incurred will be charged to the Tenant. Any damage to the Building caused by any Tenant or its contractor, delivery or moving service will be repaired at said Tenant's expense.

DIRECTORIES: The Building and Floor Directories are provided for displaying the name and location of each Tenant. A charge will be made in accordance with the standard sign order form for the initial listing and for each name added to or other change to Tenant's name. The initial listing and all such additions or changes will require Landlord's approval. Tenant shall provide Landlord with a written request for any additions or changes to the directory.

ELECTRICAL CONSUMPTION: Tenant's use of electrical energy for lighting, outlets and air conditioning shall not exceed the "normal electrical energy consumption" as described in Exhibit "F" during the Building's normal hours of operation.

ELECTRICAL AND AIR CONDITIONING SYSTEMS: No Tenant shall alter the standard building lighting or air conditioning system or install any special wiring or abnormal energy consuming equipment without written approval by Landlord.

If the air conditioning and/or lighting and energy is used after normal Building operating hours or there is abnormal consumption thereof, the Tenant involved shall pay additional costs of providing such services on demand at a reasonable charge. The air conditioning system will operate between the hours of 7:00 a.m. to 6:00 p.m. weekdays and 8:00 a.m. to 2:00 p.m. on Saturdays.

AFTER-HOURS SERVICES: Request for after-hours services of air conditioning and lighting shall be honored by the Landlord provided the same are requested in writing by the Tenant prior to 3:00 p.m. on the business day preceding. Landlord shall make an extraordinary charge for after-hours services which shall be based on the actual premium cost of providing such services, including the cost of labor and fringe benefits for required operating personnel, electricity at the per

kilowatt hour rate applicable to Central Pacific Plaza water and sewage at the posted rate

specifications; 5) copy of Building Permit; 6) copy of Performance Bond and Insurance Certificate (by Contractor); and 7) copy of Completion Bond (by Tenant). Following completion of construction, Tenant shall submit a set of the final plans and specifications of the improvements as constructed. Landlord reserves the right to withhold consent of any alteration or addition to the Premises. Tenant shall also provide Landlord with lien releases upon request. Only contractors approved by Landlord shall be permitted to carry out any repairs, alterations or additions within the Premises and/or the Building.

LOBBY APPEARANCE: Landlord desires to maintain a uniform appearance of the lobby areas on each floor. Tenant shall not alter the appearance of the lobby or the entryway to the demised Premises without the consent of the Landlord. Landlord reserves the right to withhold such consent.

MAINTENANCE REQUESTS: The requirements of a Tenant will be attended to only upon application by such Tenant to Landlord or its authorized agent. Building employees will not perform any work outside of regular duties unless under special instructions from the Landlord or its authorized agent.

WINDOW DISPLAYS: Tenant will not use any method or type of window display or window advertising without Landlord's prior written approval which shall only be given if the proposals are considered by Landlord to be consistent with the Building character.

SIGNS, SCREENS AND AWNINGS: No notice or advertisement visible from the exterior of the Building or the Premises will be permitted without prior written approval of Landlord. All graphics, curtains, blinds, shades or screens visible from the exterior of the Building or any premises demised, where permitted, shall conform to Building standards as specified by Landlord from time to time. In the event of the violation of this rule by any Tenant, Landlord may remove same without any liability, and may charge the expense incurred thereby to the Tenant involved.

BUILDING HOLIDAYS: The following holidays shall be observed by the Building. The Building will be secured, a Building Security Officer will be on duty, and air conditioning and other Building services will not be provided on such days.

New Year's Day
Memorial Day
Independence Day
Labor Day
Thanksgiving Day
Christmas Day

The above-listed holidays may be changed from time to time, and the designated holidays shall be based on the predominant practice in the business community.

SOLICITORS: Landlord reserves the right to eject from the Building any solicitors, canvassers or peddlers and any other class of persons who in the judgment of Landlord are annoying or interfering with the quiet enjoyment of the Building.

WINDOWS AND DOORS. No window or door is shown in the

TENANT WORK LETTER

DATE: _____

Hawaiian Electric Company, Inc.
900 Richards Street
Honolulu, Hawaii 96813

Gentlemen:

You (hereinafter called "Tenant") and we (hereinafter called "Landlord") are executing simultaneously with this Agreement for Tenant's Improvements, the written lease of that certain premises in the building known as CENTRAL PACIFIC PLAZA, to which this Agreement for Tenant's Improvements is attached. Said premises are described in said lease and are hereinafter called "the premises".

Landlord and Tenant mutually agree as follows:

1. DEFINITIONS. In this Work Letter, some defined terms are used: They are:
 - 1.1. Tenant's Representative: _____
 - 1.2. Landlord's Representative: _____
 - 1.3. Programming Information: Information provided by Tenant which is necessary for the preparation of the Space Plan, including the nature of Tenant's business, manner of operation, number and types of rooms, special equipment and functional requirements, anticipated growth, interactions among groups, and any other programming requirements Tenant may have.
 - 1.4. Preliminary Space Plan: A drawing of the Premises clearly showing the layout and relationship of all departments and offices, depicting partitions, door locations and swings, special equipment locations and requirements, rentable and usable area calculations and limited furniture layouts to demonstrate the size of the area.
 - 1.5. Final Space Plan: A drawing of the Premises showing, in addition to the items on the Preliminary Space Plan, locations of electrical/data/telephone outlets, plumbing,

millwork, furniture and equipment and indicating any areas that will be evaluated for structural enhancements as the result of Tenant's requirements.

- 1.6. Estimated Construction Costs: A preliminary estimate of the costs of the Improvements that are depicted on the Final Space Plan, including all architectural, engineering, contractor, and any other costs as can be determined from the Final Space Plan.
- 1.7. Working Drawings: Construction documents detailing the Improvements and conforming to municipal building codes currently in effect, complete in form and content and containing sufficient information and detail to allow for competitive bidding or negotiated pricing by contractor(s) selected and engaged by Landlord.
- 1.8. Construction Schedule: A schedule depicting the relative time frames for various activities related to the construction of the Improvements in the Premises.
- 1.9. Tenant Cost Proposal: A final estimate of costs of the Improvements that are depicted on the Working Drawings, including all architectural, engineering, contractor, and any other costs, and clearly indicating the dollar amount, if any, that is to be paid by Tenant pursuant to Section 12 herein.
- 1.10. Preliminary Maximum Approved Cost: The sum of the Tenant Improvement Allowance and any additional amount that Tenant has agreed to pay for the Improvements to the Premises, based on the Final Space Plan.
- 1.11. Final Maximum Approved Cost: The sum of the Tenant Improvement Allowance and any additional amount that Tenant has agreed to pay for the Improvements to the Premises, based on the Work Drawings.
- 1.12. Base Building: Those elements of the core and shell construction that are completed in preparation for the Improvements to the Premises. This includes Building structure, envelope, and the systems as generally indicated on Exhibit "E", attached hereto. This defines the existing conditions to which Tenant's Improvements are added.
- 1.13. Building Standard: Component elements utilized in the design and construction of the Improvements that have been pre-selected by Landlord to ensure uniformity of quality, function, and appearance throughout the Building. These elements include, but are not limited to, ceiling systems, doors, hardware, walls, floor coverings, finishes, window coverings, light fixtures, and HVAC components. A list of Building Standard specifications is attached to the Lease as Exhibit "F".

1.14. Improvements. Improvements to the Base Building shall include:

- 1.14.1. The development of Space Plans and Working Drawings, including supporting engineering studies (i.e., structural design or analysis, lighting or acoustical evaluations, or others as determined by Landlord's architect).
- 1.14.2. All construction work necessary to augment the Base Building, creating the details and partitioning shown on the Space Plan. The work will create finished ceilings, walls and floor surfaces, as well as complete HVAC, lighting, electrical, and fire protection systems.

The Improvements will NOT include personal property items, such as decorator items or services, art work, plants, furniture, equipment, or other fixtures not permanently affixed to the Premises.

2. REPRESENTATIVES. Landlord appoints Landlord's Representative to act for Landlord in all matters associated with this Work Letter. Tenant appoints Tenant's Representative to act for Tenant in all matters associated with this Work Letter. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Work Letter will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to, any employee or agent of Landlord, including, without limitation, Landlord's architect, engineers and contractors or any of their agents or employees, with regard to matters associated with this Work Letter. Either party may change its Representative under this Work Letter at any time by three (3) business days' prior written notice to the other party.

3.2. Space Planning By Tenant (Utilizing Landlord's Architect).

3.2.1. If Tenant uses Landlord's architect, Tenant shall furnish to Landlord's architect on or before _____ 20____, all Programming Information necessary for the preparation of Working Drawings.

3.2.2. If Tenant uses Landlord's architect, Landlord shall prepare a Preliminary Space Plan in accordance with the Programming Information provided by Tenant for Tenant's approval. Such approval shall not be unreasonably withheld. In the event Tenant does not request changes to said Preliminary Space Plan within three (3) business days after they have been transmitted to Tenant for Tenant's approval, Tenant shall be deemed to have approved such plans and specifications. This procedure shall be followed until finalization of said Preliminary Space Plan. If Tenant desires to modify the Preliminary Space Plan and said Preliminary Space Plan was prepared in accordance with Tenant's information and specifications, Landlord reserves the right to charge Tenant for any additional architectural and consultant fees which Landlord

3.2.3. Upon written approval by Tenant of the Preliminary Space Plan, Landlord shall prepare and deliver to Tenant a Final Space Plan for Tenant's approval. Tenant shall approve the Final Space Plan within fifteen (15) days of such delivery. In the event Landlord does not receive Tenant's response to the Final Space Plan within fifteen (15) days, Tenant shall be deemed to have approved it. Tenant shall sign and date all copies of the Final Space Plan being approved unless approval is deemed to have been given due to Tenant's failure to respond to it.

3.2.4. After Tenant's written approval of the Final Space Plan, Landlord will promptly cause to be prepared, a preliminary estimate of the cost of the Improvements as set forth in the Final Space Plan (the "Estimated Construction Costs"). If the Estimated Construction Cost is less than the Tenant Improvement Allowance, the Estimated Construction Cost will be deemed approved without a required response from Tenant. If the Estimated Construction Cost is more than the Tenant Improvement Allowance, Landlord will so notify Tenant in writing and Tenant will establish the Preliminary Maximum Approved Cost by either:

- (1) Agreeing in writing to pay the amount by which the Estimated Construction Cost exceeds the Tenant Improvement Allowance; or

- (2) Agreeing to have the Final Space Plan revised by Landlord's architect in order to assure that the Estimated Construction Cost is either:
 - (A) No more than the Tenant Improvement Allowance; or
 - (B) Exceeds the Tenant Improvement Allowance by an amount which Tenant agrees to pay pursuant to clause (1) immediately above.

Tenant shall give immediate attention to establishing the Preliminary Maximum Approved Cost and shall respond to Landlord within two (2) business days. Upon Tenant's timely fulfillment of its obligations in either clause (1) or clause (2) immediately above, the Preliminary Maximum Approved Cost will be established.

- 3.2.5. Upon establishment of the Preliminary Maximum Approved Cost and execution of the Lease for the demised premises, Landlord will cause to be prepared and delivered to Tenant the Working Drawings, the Construction Schedule, and the Tenant Cost Proposal for the Improvements in accordance with the Final Space Plan. If the Tenant Cost Proposal is less than the Preliminary Maximum Approved Cost, Landlord will take steps necessary to commence construction of the Improvements to the Premises.

If the Tenant Cost Proposal is more than the Preliminary Maximum Approved Cost, Landlord will so notify Tenant in writing and Tenant will either (1) agree in writing to pay the amount by which the Tenant Cost Proposal exceeds the Preliminary Maximum Approved Cost or (2) request Landlord to revise the Working Drawings in order to assure that the Tenant Cost Proposal is no more than the Preliminary Maximum Approved Cost.

Tenant shall give its immediate attention to the cost proposal approval process and shall respond to Landlord within three (3) business days. Upon Tenant's timely fulfillment of its obligations in either clause (1) or clause (2) immediately above, the Final Maximum Approved Cost will be established.

- 3.2.6. Following approval of the Working Drawings and establishment of the Final Maximum Approved Cost, Landlord will cause application to be made to the appropriate governmental authorities for necessary approvals and buildings permits. Upon receipt of the necessary approvals and permits, Landlord will begin construction of the Improvements.

3.3. Space Planning By Tenant (Not Utilizing Landlord's Architect).

3.3.1. If Tenant does not use Landlord's architect, all Space Plans, Working Drawings, Estimated Construction Costs, Tenant Costs Proposals and the Construction Schedule shall nevertheless require Landlord's written approval. Such approval shall not be unreasonably withheld, but shall be subject to the conditions set forth in Section 4 below.

4. LANDLORD'S APPROVALS. Landlord, in its sole discretion, may withhold its approval of any Space Plan or Working Drawings that:

4.1. Exceeds or adversely affects the structural integrity of the Building, or any part of the

other systems of the Building;

4.2 Is not approved by the holder of any mortgage or deed of trust encumbering the

6. ADJUSTMENTS UPON COMPLETION. As soon as practicable, upon completion of the Improvements in accordance with this Work Letter (but no later than the date set forth in Section 1.6.1. of the Lease), Tenant will notify Landlord of said completion and the commencement of business operations and Tenant, within ten (10) calendar days of Landlord's written request, will execute a certificate, in substantially the form attached to the lease as Exhibit "G", Confirmation of Lease Terms, and incorporated herein by reference, confirming such information.

7. COST RESPONSIBILITIES.

- 7.1. Landlord: Landlord will pay up to the amount of the Tenant Improvement Allowance for the Cost of the Improvements.
- 7.2. Tenant: Tenant will pay for all costs in excess of the Tenant Improvement Allowance. Unless otherwise provided in the Lease, Tenant will not be entitled to

any credit for any portion of the Tenant Improvement Allowance which is not used.

8. TENANT IMPROVEMENT ALLOWANCE. A one time improvement allowance in the amount set forth in Section 3.2 of the Lease will be granted by Landlord toward the installation of improvements. The allowance shall be paid upon completion of all improvements and satisfaction of the lien period.
9. ARCHITECT, ENGINEERS AND CONTRACTOR. If Tenant desires and Landlord permits the use of an architect and/or contractor other than Landlord's designated architect or contractor, all drawings and construction performed shall be subject to review and approval by Landlord or Landlord's architect or other agents, at Tenant's sole cost and expense.

In particular, the drawings submitted shall include calculations indicating existing and proposed new electrical and air-conditioning loads as necessary to show that the new work proposed will not negatively impact the existing electrical distribution or chilled water and air handler systems. The calculations shall be subject to review and approval by Landlord or Landlord's architect or other agents.

Upon completion of the project, the architect shall submit to Landlord one set of complete as-built drawings, which shall include all the changes made by the contractor in the field.

10. BOND. Tenant shall provide a surety payment bond in an amount sufficient to cover all Tenant's expenses for design fees and construction costs.

If the foregoing correctly sets forth our understanding, kindly sign all copies of this Tenant Work Letter where indicated.

ACCEPTED:

Very truly yours,

HAWAIIAN ELECTRIC COMPANY, INC.

CENTRAL PACIFIC BANK

By _____
Name: _____
Title: _____

By _____
Name: DENIS K. ISONO
Title: Executive Vice President

By _____
Name: _____
Title: _____

By _____
Name: CURTIS A. OKAZAKI
Title: Sr. Vice President and
Manager, Properties Division

(Tenant)

(Landlord)

EXHIBIT "E"

BASE BUILDING CORE AND SHELL DEFINITION

CENTRAL PACIFIC PLAZA

1. GENERAL SPECIFICATIONS.

- 1.1. Structure. Twenty-two story office tower with reinforced concrete frame, pre-stressed triple-tee floor slabs and precast exterior wall system. Covered parking garage on seven levels adjacent to office on floors basement through 7. Commercial and retail areas at ground floor with landscaped open and arcade areas.
- 1.2. Main Lobbies. Hard tile granite and carpet floors, concrete and granite walls; ceramic mural and rib textured ceiling system. Building directories. Public telephones.
- 1.3. Washrooms. Situated on all office levels. Ceramic tile floors; ceramic tile and vinyl covered walls. Toilet fixtures, vanity unit, plastic laminate toilet partitions, stainless steel accessories.
- 1.4. Elevators. Six (6) passenger elevators, 700 feet per minute and 3500 lbs. capacity, serving all twenty-two floors, including one (1) elevator with a ceiling height of 10' 6" which may be used as a freight elevator. In addition, one (1) passenger elevator exclusively serving Central Pacific Bank.
- 1.5. Loading and Delivery Areas. Loading area, situated at the ground level, consists of three (3) loading bays with a maximum clearing height of 14 feet and access to freight elevator. Two (2) delivery zones, with maximum clearing height of 6' 4" are situated at the basement level and have direct access to basement elevators.
- 1.6. Parking. Parking structure with approximately 282 spaces. Entrance from King Street and exit onto Alakea Street. Maximum clearance 6' 4".
- 1.7. Ceiling: Landlord shall furnish and install a 2' X 4' modular grid ceiling system. Landlord shall furnish the existing suspended acoustical tiles but cost and installation of new tiles shall be by Tenant at Tenant's expense.
- 1.8. Lighting: Landlord shall provide 2' X 4', 3 lamp recessed fluorescent light fixtures, as determined by Landlord together with cool white lamps. Landlord will furnish not

more than two (2) light fixtures for every 120 square feet of demised area. Installation of light fixtures shall be by Tenant at Tenant's expense.

- 1.9. Air Conditioning and Ventilation: Landlord shall provide a central distribution air conditioning system of ducted supply with return air plenum, including main supply ducts, Carrier Modubox No. 35BB3 and/or No. 35BB4, or equivalent, octopus, mounting bracket, 4 foot linear diffusers and diffuser mounted thermostat. Installation shall be by Tenant at Tenant's expense.
- 1.10. Electrical and Telephone Outlets: Landlord shall provide main electrical distribution system and telephone conduit riser and panel and telephone backboard at the building core for connection to electrical and telephone outlets by Tenant. Existing conduits for flush floor receptacles and existing telephone junction boxes shall be provided by Landlord along the exterior wall for Tenant's use in the demised area. Installation of electrical and telephone outlets shall be by Tenant in accordance with the National Electrical Code and local telephone providers' Rules and Regulations at Tenant's

expense. Tenant shall furnish and install all necessary wiring, and additional panels and transformers necessary for connection to Landlord's electrical distribution system.

- 1.11. Window Covering: Landlord shall provide existing "Building Standard" mini blinds on all exterior wall windows. Any additional draperies shall be floor-to-ceiling length and shall be furnished and installed by Tenant.
- 1.12. Fire Sprinklers: Landlord shall provide a fire sprinkler main distribution loop for connection to by Tenant. Existing sprinkler heads shall be provided by Landlord. Installation of additional or relocation of existing sprinkler heads and connections to distribution piping in accordance with the Uniform Building Code and Hawaii Insurance Rating Bureau requirements shall be by Tenant at Tenant's expense. Tenant shall provide and install all other necessary pipes, fittings, and hangers necessary for connection to the main distribution loop.
- 1.13. Fire Alarm: Landlord shall provide main fire alarm riser at the building core and booster panel on floor at the building core or on adjacent floor for connection to additional fire alarm devices by Tenant. Additional fire alarm devices and modification and extension of the fire alarm system shall be by Tenant in accordance with the Uniform Fire Code as amended by the County and NFPA-72 as referenced by the Code, at Tenant's expense. Tenant shall furnish and install all necessary wiring, control components and additional booster panels necessary for connection to the fire alarm system.

- 1.14. Drinking Fountain: Landlord shall provide one (1) chilled water drinking fountain on each floor.
- 1.15. Switches: Landlord shall provide (1) electrical wall switch for each leased premises. Installation of additional switches shall be by Tenant at Tenant's own expense.
- 1.16. Tenant Identification: Landlord shall provide the following for Tenant Identification:
 - A. Tenant's name and suite number on Tenant's major entrance door to suite.
 - B. Tenant's name and suite number on master building directory in first floor lobby.

2. RETAIL COMMERCIAL SPACE.

- 2.1. Store Fronts. Clear polished plate glass in anodized aluminum frames.
- 2.2. Floor. Smooth floated concrete.
- 2.3. Walls. Concrete walls and columns.
- 2.4. Ceiling Height. 18' 2" clear height for ceiling installation by Tenant.

3. OFFICE SPACE (FLOORS 2-22).

- 3.1. Elevator Lobbies. Lobby floor carpeted to commercial specification. Vinyl Covering on walls. Suspended tee bar and concealed spline acoustic tile ceiling. Drinking fountain and ashtray are situated in elevator lobbies.
- 3.2. Windows. Grey tinted glass in anodized aluminum frames.
- 3.3. Floor. Smooth floated concrete.
- 3.4. Walls. Structural walls and columns finished with concrete wash. Landlord will provide corridor walls separating Tenant's space from common areas (except for applied finish on Tenant's side) and demising walls separating Tenant's space from adjacent Tenants.

4. MULTIPLE TENANT FLOORS ONLY

- 4.1. Corridor Walls: Landlord shall provide standard partitions constructed of 5/8 inch gypsum board on 2-1/2 inch metal studs and insulated for sound. All partition walls facing the common areas shall be finished. Partition walls facing the demised premises shall be taped and ready for finishing by Tenant.
- 4.2. Entry Door, Frame and Hardware: Landlord shall furnish and install one (1) 3/4 inch solid core, 3' 2" wide prefinished selected hardware door complete with anodized aluminum frame and finish hardware. Finish hardware shall consist of standard heavy duty lock, four (4) ball bearing butts, closer and/or door stop.

4.3. Elevator Lobby Walls and Corridor Walls: Walls of elevator lobby and corridor

are to have architectural finishes as selected by Landlord's architect.

- 4.4. Corridor Floors: Corridor floors shall be carpeted with high quality commercial grade carpet in colors selected by Landlord's architect.
- 4.5. Ceiling, Lighting and Air Conditioning: All similar to that provided in Sections 1.7, 1.8, and 1.9 above.

EXHIBIT "F"

BUILDING STANDARD SPECIFICATIONS

The following are Building Standard Specifications, to be paid for by Tenant:

1. SPECIFICATIONS APPLICABLE TO ALL TENANTS.

1.1. Electrical Energy Consumption. "Normal electrical energy consumption", as determined by comparison with other first-class office buildings of similar size and characteristics, is not more than 2.5 kilowatt hours per square foot per month during normal operating hours. The maximum electrical energy allocated for each tenant shall be as follows:

Lighting - 1.5 watts per square foot

Electrical Outlets - 1.5 watts per square foot

Should Tenant require more electrical energy than that allocated above, Tenant shall, upon prior written approval by Landlord, modify the electrical distribution system and provide all additional electrical equipment and wiring, including checkmeters if required, at Tenant's expense.

2. RETAIL COMMERCIAL SPACE SPECIFICATIONS (GROUND FLOOR).

2.1. Tenant Entryways. Two (2) 3' feet wide clear, glazed, anodized aluminum framed doors with closer.

2.2. Electricity and Telephone. Conduits can be provided from electrical panel into each rental area for future wiring.

2.3. Air Conditioning. Access to main supply air ducts for air conditioning system provided by Landlord. Tenant shall furnish and install at its own expense all other necessary equipment including but not limited to any other duct work necessary for the air conditioning system

2.4. Fire Sprinklers. Main loop and distribution piping system provided. Existing sprinkler heads supplied only by Landlord. Installation, maintenance and/or repair of additional sprinkler heads and connection to distribution piping, by Tenant.

3. OFFICE SPECIFICATIONS (FOR FLOORS 2-22).

3.1. Tenant Entryways. Single entry doors, conforming to Building standards, supplied and installed by Landlord at Landlord's expense.

3.2. Ceilings. Ceiling height of 8' 6" consisting of accessible suspended 2' X 4' modular acoustic grid system with fissured pattern tile. Existing grid and acoustic tiles, provided by Landlord and modified or installed and maintained and repaired by Tenant at Tenant's expense.

3.3. Lighting. Recessed fluorescent fixtures for task-oriented lighting is provided by Landlord per Building Standard. Modification or installation of additional fixtures by Tenant at Tenant's expense.

3.4. Electrical Outlets. All electrical work within demised premises in excess of Building Standard provided by Landlord to be installed by Tenant at Tenant's cost. Tenant shall furnish and install all necessary wiring and additional circuit breakers, electrical panels and transformers necessary for installation of new electrical outlets. Location of additional panels and transformers shall be within the demised premises.

3.5. Telephone Equipment. Tenant to arrange with telephone company for installation and connection of telephone equipment which are to be located within the demised premises. Tenant shall locate all their own telephone switch equipment within the demised premises. All telephone wires shall be installed in raceways or be plenum type routed in ceiling space and supported independently of the suspended ceiling.

3.6. Air Conditioning. Central air-conditioning distribution system of ducted supply with return air plenum, including main supply loop duct and return air slot at perimeter wall (window wall) supplied and installed by Landlord. Branch ducting, diffuser mounted thermostats and other necessary equipment shall be installed, supplied, maintained and/or repaired by Tenant.

3.7. Fire Sprinklers. Main loop and distribution piping system provided by Landlord. Installation, maintenance and/or repair of additional sprinkler heads and connection to distribution piping by Tenant.

3.8. Fire Alarm. Main fire alarm riser in building core by Landlord. Additional fire alarm devices and modification and extension of fire alarm system by Tenant.

3.9. Window Coverings. Existing conforming one-inch mini-blinds supplied and installed by Landlord. Any additional draperies required shall be floor to ceiling, furnished and installed at Tenant's expense.

3.10. Rubber Base. Top set rubber base in colors as approved by Landlord.

3.11. Paint. Eggshell, off-white, two (2) coats (prime and finish).

4. MINIMUM REQUIREMENTS. Tenant's improvements must conform to the following minimum requirements:

4.1. Common Areas. Any common area resulting from subdivision by a full floor tenant of its premises shall conform in design to the common areas of multiple tenant floors. Tenant's entryways and demising partitions shall be in conformity to the standard designs specified by Landlord for other common areas.

4.2. Tenant Space.

4.2.1. Floor Coverings. Standard floor covering shall be commercial quality carpet, conforming to Landlord's specifications (Tufted yarn weight: 30 oz. per square yard; pile height: between .250" and .281"; density: between 4,320 and 5,373; choice of four (4) colors as approved by Landlord), and shall not be affixed to the floor in any manner except by a tack strip, paste, or other material which may be easily removed with water. The use of cement or other similar adhesive materials is expressly prohibited. The method of affixing the floor covering to the floor shall be specified in the plans and specifications submitted to Landlord for its written approval. The expense of repairing any damage resulting from a violation of this rule and any expense of removing

any floor covering affixed to the demised premises in violation of this rule, shall be borne by Tenant. Requests for non-standard floor coverings shall be submitted to Landlord for its written approval. A base material (e.g., vinyl, wood) shall be used on all walls and partitions.

4.2.2. Interior Partitions. Partitions shall be constructed of metal stud and drywall or other similar forms of construction in accordance with the Uniform Building Code and building standards as specified by Landlord. Partitions meeting the interior face of the glazed external building wall shall terminate only at the centerline of window mullions and at concrete columns in accordance with Landlord's building standards.

4.2.3. Interior Doors. Interior doors and frames shall be furnished and installed by Tenant at Tenant's expense and shall conform to Landlord's specifications.

4.2.4. Finish Hardware. Butt hinges, lock sets, latch sets and knob sets shall be as specified by Landlord and shall be furnished and installed at Tenant's expense by Tenant.

4.2.5. Graphics. Specifications to be as determined by Landlord.

4.2.6. Lighting Pattern. The lighting pattern shall conform to the task lighting orientation and design as approved by Landlord.

4.2.7. Concrete Floors. Holes for electrical and telephone services or chases may be cut through the concrete floor slabs at Tenant's expense only with the prior written approval of and under the direction of Landlord and its consultants.

4.2.8. Concrete Walls. Chases and holes shall not be cut in any concrete wall or column without the prior written approval of and under the direction of Landlord and its consultants.

4.2.9. Office/Store Furniture & Fixtures. All furniture and fixtures exposed to public view must be new or fully reconditioned and must be suitable for use within a building of the location and character of Central Pacific Plaza or any other first-class office building. The suitability of Tenant's furniture and fixtures shall be subject to the discretion of Landlord.

5. SUBSTITUTIONS. Tenant may substitute, at Tenant's sole cost and expense, alternative materials for the materials prescribed in these Building Standard Specifications with respect to items other than window coverings, ceiling system areas visible from outside of the Premises, doors, frames and finish hardware for all entry and exit doors opening to the common areas of the floor, sprinkler heads, life safety devices light fixtures, and demising and corridor partitions, provided that, (A) the quality of such alternative materials is equal to or better than that prescribed in the Building Standard Specifications for the item in question, (B) the substitution would be in conformance with all applicable codes, (C) the substitution is not in lieu of any pre-stocked items that Landlord or Landlord's Tenant Improvement Contractor have previously purchased for the Premises, and (D) Tenant has obtained Landlord's prior written approval of such substitutions, which approval shall not be unreasonably withheld.

EXHIBIT "G"

CONFIRMATION OF LEASE TERMS

THIS CONFIRMATION, made this _____ day of _____, _____, by and between **CENTRAL PACIFIC BANK, a Hawaii corporation**, whose principal place of business and post office address is **220 South King Street, Honolulu, Hawaii 96813**, hereinafter called "Landlord" and **HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation**, whose principal place of business and post office address is **900 Richards Street, Honolulu, Hawaii 96813**, hereinafter called "Tenant".

WITNESSETH:

WHEREAS, under Sections 1.3, 1.4, and 1.6 of that certain Lease between Landlord and Tenant, dated _____, hereinafter "Lease", Landlord and Tenant agreed that, certain terms shall have been determined, they would execute a written memorandum expressly confirming said terms; and

WHEREAS, said terms have now been determined;

NOW, THEREFORE, in consideration of the premises, Landlord and Tenant hereby agree and confirm as follows:

1. The Area of Tenant's Premises, as set forth in Section 1.3 of the lease, is:

AS TO SUITE 1270

- | | | |
|--|---|----------------------|
| 1.3.1. Approximate usable area of Tenant's Premises: | | <u>1,066</u> sq. ft. |
| 1.3.2. Approximate proportionate share of common area | + | <u>76</u> sq. ft. |
| 1.3.3. Approximate "rentable area" of Tenant's Premises: | | <u>1,142</u> sq. ft. |

AS TO SUITE 1250

- 1.3.4. Approximate usable area of Tenant's Premises: 398 sq. ft.
- 1.3.5. Approximate proportionate share of common area + 58 sq. ft.
- 1.3.6. Approximate "rentable area" of Tenant's Premises: 456 sq. ft.

2. Tenant's present share of the rentable area of the entire CENTRAL PACIFIC PLAZA, as set forth in Section 1.4 of the Lease, is: **AS TO SUITE 1270:** .4902 %; **AS TO SUITE 1250:** 0.1957 %.

3. Tenant's monthly rent, as set forth in Section 1.6 of the Lease, is:

Monthly Rent: The sum of

1.6.1. AS TO SUITE 1270

Base rent in the amount of \$ 0.00 per month
from 2/1/05 to 3/31/05.

Base rent in the amount of \$ 1,427.50 per month
from 4/1/05 to 1/31/06.

Base rent in the amount of \$ 1,484.60 per month
from 2/1/06 to 1/31/07.

Base rent in the amount of \$ 1,541.70 per month
from 2/1/07 to 1/31/09.

Base rent in the amount of \$ 1,598.80 per month
from 2/1/09 to 1/31/10.

AS TO SUITE 1250

Base rent in the amount of \$ 0.00 per month
from 2/1/05 to 3/31/05.

Base rent in the amount of \$ 570.00 per month
from 4/1/05 to 1/31/06.

Base rent in the amount of \$ 592.80 per month
from 2/1/06 to 1/31/07.

Base rent in the amount of \$ 615.60 per month
from 2/1/07 to 1/31/09.

Base rent in the amount of \$ 638.40 per month
from 2/1/09 to 1/31/10.

1.6.2 **AS TO SUITE 1270:** Additional rent of \$ 1,096.32 per month from
2/1/05 to 1/31/10, representing Tenant's

Lease, subject to adjustment as set forth in Section 30 of the Lease;

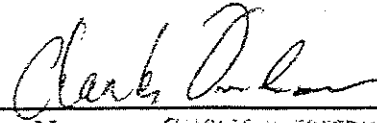
AS TO SUITE 1250: Additional rent of \$ 437.76 per month from
2/1/05 to 1/31/10, representing Tenant's
share of estimated operating expenses, as provided for in Section 5.7 of the

IN WITNESS WHEREOF, Landlord and Tenant have executed this instrument as of the day and year first above written.

CENTRAL PACIFIC BANK

HAWAIIAN ELECTRIC COMPANY, INC.

By 
Name: DENIS K. ISONO
Title: Executive Vice President

By 
Name: CHARLES M. FREEDMAN
Title: VICE PRESIDENT

OFFICE OF THE
ASSISTANT REGISTRAR, LAND COURT
STATE OF HAWAII
(Bureau of Conveyances)

The original of this document was
recorded as follows:

DOCUMENT NO. 3167347
DATE SEP 17 2004 TIME 1:00

SEP 17 2004
1:00
2004-191490

LAND COURT SYSTEM

REGULAR SYSTEM

After Recordation, Return By: ☐ Mail ☒ Pickup

Hawaiian Electric Company, Inc.
Survey Division
P. O. Box 2750
Honolulu, HI 96840-0001

This document contains 9 page(s).

Title of Document(s):

THIRD AMENDMENT OF LEASE

PARTIES TO DOCUMENT:

GRANTOR: CENTRAL PACIFIC BANK, a Hawaii corporation, doing business as
CENTRAL PACIFIC PLAZA

GRANTEE: HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation

Description: Central Pacific Plaza located at 220 South King Street, Honolulu, Hawaii
96813, Suites 1425 and 1480

TMK(s): 1st/ 2-1-017:011

THIRD AMENDMENT OF LEASE

THIS AMENDMENT, made this 18th day of August, 2004, by and between CENTRAL PACIFIC BANK, a Hawaii corporation, doing business as CENTRAL PACIFIC PLAZA, whose principal place of business and post office address is 220 South King Street, Honolulu, Hawaii 96813, hereinafter called "Landlord," and HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation, whose principal place of business and post office address is 900 Richards Street, Honolulu, Hawaii 96813, hereinafter called "Tenant,"

WITNESSETH:

WHEREAS, by that certain unrecorded Central Pacific Plaza Office Lease dated December 3, 1991, said Lease sometimes referred to herein as "Lease", Landlord's predecessor in interest demised and leased to Tenant all of that certain premises situated on the 14th floor of that certain building known as "Central Pacific Plaza" and located at 220 South King Street, Honolulu, Hawaii 96813, being Suite 1480; and

WHEREAS, a short form of said Lease, which Memorandum of Lease is dated November 27, 1991, was filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 1874503 and noted on Transfer Certificate of Title No. 234,411 and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 91-176846; and

WHEREAS, said Lease was amended by First Amendment of Lease dated January 11, 1995, effective as of December 1, 1994, filed as aforesaid as Document No. 2353826 and noted on Transfer Certificate of Title No. 234,411 and also recorded as aforesaid as Document No. 96-176027; and

WHEREAS, said Lease was further amended by Second Amendment of Lease dated February 2, 1999, effective as of January 1, 1999, filed as aforesaid as Document No. 2538206 and noted on Transfer Certificate of Title No. 234,411 and recorded as aforesaid as Document No. 99-063623; and

WHEREAS, the parties hereto desire to amend the Lease, to, among other things, add additional space to the premises, upon the following terms and conditions;

NOW, THEREFORE, the parties hereto hereby mutually covenant and agree to amend further the Lease in this Third Amendment of Lease as follows:

1. Section 1.2 of the Lease is hereby amended to read as follows:

1.2. Suite number: 1480 ("Original Premises")
1425 ("Additional Premises")
(the Original Premises and the Additional Premises sometimes
hereafter collectively referred to as "Premises").

2. Section 1.3 of the Lease is hereby amended, by adding the Areas for the Additional
Premises, to read as follows:

1.3. Area of Premises:

Section	Description	Original Premises (in sq. ft.)	Additional Premises (in sq. ft.)
---------	-------------	--------------------------------------	--

4. Section 1.5 of the Lease is hereby amended, by adding term for the Additional Premises, as follows:

The term of this lease for the Additional Premises shall be FIVE (5) YEARS and THREE (3) MONTHS and shall commence on the 1st day of August, 2004, and end on the 31st day of October, 2009, inclusive, subject to the provisions of Section 8 hereof.

5. Section 1.6.1 of the Lease is hereby amended, by adding the base rents for the Additional Premises, as follows:

Base rent for the Additional Premises in the amount of \$0.00 per month for the period August 1, 2004, to and including October 31, 2004.

Base rent for the Additional Premises in the amount of \$3,485.00 per month for the period November 1, 2004, to and including April 30, 2007.

Base rent for the Additional Premises in the amount of \$3,763.80 per month for the period May 1, 2007, to and including October 31, 2009.

6. Section 1.6.2 of the Lease is hereby amended, by adding the Additional Rent for the Additional Premises, as follows:

Additional rent of \$2,676.48, representing Tenant's share of estimated operating expenses for the Additional Premises, subject to adjustment.

10. Section 4 of the Second Amendment of Lease is hereby amended, by adding a Tenant Improvement Allowance for the Additional Premises, as follows:

Landlord shall pay Tenant the sum of up to FORTY-EIGHT THOUSAND EIGHTY AND NO/100 DOLLARS (\$48,080.00) to reimburse Tenant for all or a portion of Tenant's improvements to the Additional Premises, such sum to include construction costs, architectural and engineering fees, construction management fees, costs for space planning, construction drawings and permitting and all other costs related to construction in the Additional Premises. Said improvements in the Additional Premises shall be limited to demolition or construction of partition walls and doors, repainting walls or doors (costs limited to building standard paint only), installing new carpets (costs limited to building standard carpet only), structural, mechanical and electrical work, replacing or adding building standard light fixtures, all above ceiling work, and plumbing.

Any portion of the said sum of \$48,080.00 that is not used for improvements as described above cannot be used by Tenant for any other purposes and shall instead be forfeited. Upon production by Tenant to Landlord of invoices indicating the costs and completion of said improvements, prior to March 31, 2005, Landlord shall make payment directly to Tenant's contractors, subcontractors and materialmen upon satisfaction of the lien period or earlier if lien releases satisfactory to Landlord are provided by all contractors.

12. Section I of the Lease is amended by adding an Exhibit "A-1", a floor plan outlining the Additional Premises, a copy of which is attached hereto and made a part hereof.

13. Notwithstanding the provisions of Section 48 of the Lease, Landlord hereby consents to the recordation by Tenant of this Third Amendment of Lease in order to enable Tenant to file an application for an exemption from paying real property taxes on the Additional Space based on upon Tenant's status as a public utility company and for purposes of Section 13 herein.

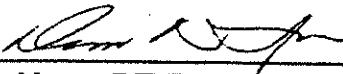
If Tenant qualifies for such exemption, Tenant's pro rata share of the real property taxes will be deducted from Tenant's pro rata share of the building operating expenses. Such deduction from Tenant's pro rata share of building operating expenses shall continue for so long as Tenant's real property exemption with respect to the Additional Premises remains effective.


All of the other terms, covenants and conditions as contained in the Lease, as amended by said First Amendment of Lease and said Second Amendment of Lease, shall remain in full force and effect. Landlord and Tenant hereby mutually covenant and agree to observe and perform faithfully all of the terms, covenants and conditions which are or ought to be observed and performed by Landlord and Tenant, respectively, as contained in the Lease, as amended by said First Amendment of Lease, said Second Amendment of Lease, and as herein amended.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)
(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first above written.


CENTRAL PACIFIC BANK


By 
Name: DENIS K. ISONO
Title: Executive Vice President &
Chief Operations Officer

By 
Name: CURTIS A. OKAZAKI
Title: Sr. Vice President and
Manager, Properties Division

Landlord




HAWAIIAN ELECTRIC COMPANY, INC.

By 
Name: JACKIE MAHI ERICKSON
Title: VICE PRESIDENT

By 
Name: CHARLES M. FRIEDMAN
Title: VICE PRESIDENT

Federal Identification No. _____

Tenant

APPROVED	
Legal Forms	
By	
Engineering Department	
Survey Division	
Initiating Division	
Land & Right-of-Way	
By	

STATE OF HAWAII)
 : SS.
CITY AND COUNTY OF HONOLULU)

On this after day of AUGUST, 2004, before me appeared DENIS K. ISONO and CURTIS A. OKAZAKI, to me personally known, who, being by me duly sworn, did say that they are the Executive Vice President & Chief Operations Officer and Sr. Vice President and Manager, Properties Division, respectively, of CENTRAL PACIFIC BANK, a Hawaii corporation, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and the said officers acknowledged said instrument to be the free act and deed of said corporation.

Phung M. Matsumura
Name: Phung M. Matsumura
Notary Public, State of Hawaii
My commission expires: 6-10-05

STATE OF HAWAII)
 : SS.
CITY AND COUNTY OF HONOLULU)

On this 30th day of June, 2004, before me appeared JACKIE MAHI ERICKSON and CHARLES M. FREEDMAN, to me personally known, who, being by me duly sworn, did say that they are the VICE PRESIDENT and VICE PRESIDENT, respectively, of HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and the said officers acknowledged said instrument to be the free act and deed of said corporation.

Flourentina J. Johnsen
Name: FLURENTINA J. JOHNSON
Notary Public, State of Hawaii
My commission expires: 11/12/2007

LAND COURT

REGULAR SYSTEM

AFTER RECORDATION, RETURN BY MAIL () PICK-UP ()

Hawaiian Electric Company, Inc.
Survey Division
P.O. Box 2750
Honolulu, Hawaii 96840-0001

TITLE OF DOCUMENT: THIRD AMENDMENT OF LEASE

PARTIES TO DOCUMENT:

Landlord: CENTRAL PACIFIC BANK, a Hawaii corporation

Tenant: HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation
P.O. Box 2750
Honolulu, Hawaii 96840-0001

PROPERTY DESCRIPTION: Central Pacific Plaza, 220 South King Street, Suite 1570
Honolulu, Hawaii 96813

Tax Map Key No.: (1) 2-1-017-011

THIRD AMENDMENT OF LEASE

THIS AMENDMENT, made this 16th day of March, 2004, effective as of March 1, 2004, by and between CENTRAL PACIFIC BANK, a Hawaii corporation, whose principal place of business and post office address is 220 South King Street, Honolulu, Hawaii 96813, hereinafter called "Landlord," and HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation, whose principal place of business and post office address is 900 Richards Street, Honolulu, Hawaii 96813, hereinafter called "Tenant,"

WITNESSETH:

WHEREAS, by that certain unrecorded Central Pacific Plaza Office Lease dated December 2, 1992, said Lease sometimes referred to herein as "Lease", CKSS Associates, Landlord's predecessor-in-interest, demised and leased to Tenant all of that certain premises situated on the 15th floor of that certain building known as "Central Pacific Plaza" and located at 220 South King Street, Honolulu, Hawaii 96813, being Suite 1570; and

WHEREAS, a short form of said Lease, which Memorandum of Lease is dated December 4, 1992, was filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 1982533 and noted on Transfer Certificate of Title No. 234,411 and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 92-208304; and

WHEREAS, said Lease was amended by First Amendment of Lease dated January 11, 1995, effective as of December 1, 1994, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2353830 and noted on Transfer Certificate of Title No. 234,411 and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 96-176034; and

WHEREAS, said Lease was further amended by Second Amendment of Lease dated February 9, 1999, effective as of January 1, 1999, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2538265 and noted on Transfer Certificate of Title No. 234,411 and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 99-063622; and

WHEREAS, the parties hereto desire to amend further the Lease, to reflect the agreed upon rental for the remaining term of the Lease, upon the following terms and conditions;

NOW, THEREFORE, the parties hereto hereby mutually covenant and agree to amend the Lease in this Third Amendment of Lease as follows:

1. Section 1.6.1 of the Lease shall be deleted in its entirety and the following substituted in lieu thereof:

1.6.1. Base rent in the amount of \$4,409.80 per month for the period
December 1, 1994, to and including December 31, 1998.

Base rent in the amount of \$3,631.60 per month for the period
January 1, 1999, to and including December 31, 2000.

Base rent in the amount of \$4,409.80 per month for the period
January 1, 2001, to and including November 30, 2003.


Base rent in the amount of \$0.00 per month for the period
December 1, 2003, to and including February 29, 2004.


Base rent in the amount of \$3,711.25 per month for the period
March 1, 2004, to and including November 30, 2006.

All of the other terms, covenants and conditions as contained in the Lease, as amended by First Amendment of Lease and Second Amendment of Lease, shall remain in full force and effect. Landlord and Tenant hereby mutually covenant and agree to observe and perform faithfully all of the terms, covenants and conditions which are or ought to be observed and performed by Landlord and Tenant, respectively, as contained in the Lease, First Amendment of Lease and Second Amendment of Lease, and as herein amended.

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first above written.



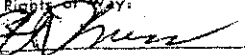
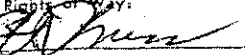
CENTRAL PACIFIC BANK


By 
Name: DENIS K. ISONO
Title: Executive Vice President & Chief
Operations Officer

By 
Name: CURTIS A. OKAZAKI
Title: Sr. Vice President & Manager,
Properties Division

Landlord

HAWAIIAN ELECTRIC COMPANY, INC.

APPROVED	
Legal Form:	
By	
Engineering Department	
Survey Division	
Initiating Division	
Land & Rights of Way:	
By	

By 
Name: CHARLES M. FREEDMAN
Title: VICE PRESIDENT

By 
Name: JACKIE MAHI ERICKSON
Title: VICE PRESIDENT

STATE OF HAWAII)
 : SS.
CITY AND COUNTY OF HONOLULU)

On this _____ day of _____, 2004, before me appeared
_____ and _____, to me personally known, who, being
by me duly sworn, did say that they are the _____ and
_____, respectively, of CENTRAL PACIFIC BANK, a Hawaii corporation,
and that the foregoing instrument was signed in behalf of said corporation by authority of its Board
of Directors, and the said officers acknowledged said instrument to be the free act and deed of said
corporation.

Name: _____
Notary Public, State of Hawaii
My commission expires: _____

STATE OF HAWAII)
CITY AND COUNTY OF HONOLULU) : SS.

On this 17th day of January, 2004, before me appeared CHARLES M. FREEDMAN and JACKIE MAHERICKSON, to me personally known, who, being by me duly sworn, did say that they are the VICE PRESIDENT and VICE PRESIDENT, respectively, of HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation, and that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors, and the said officers acknowledged said instrument to be the free act and deed of said corporation.

L.S.
 Florentina J. Johansen
 Name: FLORENTINA JOHANSEN
 Notary Public, State of Hawaii
 My commission expires: 4/12/2007

CA-IR-618

Ref: HECO response to CA-IR-260 & HECO-1605 (Rent Expense).

Revised HECO-1605 (CA-IR-260) contains a new line for Pauahi Tower with annual rent in the amount of \$453,000 – occupied by Information Technology & Services. Please provide the following:

- a. The referenced rent amount represents an input into revised HECO-1605. Please provide a copy of any lease agreements that document the terms and conditions of the rental, including square footage occupied, term, rental rates and CAM factors.
- b. Please provide the following information regarding the newly leased space in Pauahi Tower, occupied by Information Technology & Services:
 1. How many employees occupy this space?
 2. Where were these employees located prior to the move to Pauahi Tower?
 3. Regarding the space previously occupied by these employees, which department(s) now occupy the former office location?
 4. Please describe and explain the basis of the decision to obtain additional space for Information Technology and Services.

HECO Response:

- a. Due its voluminous nature, one copy each of the Pauahi Tower lease agreement will be provided to the Consumer Advocate, Department of Defense, and the Commission under separate transmittal.
- b.
 - 1) The newly renovated space at Pauahi Tower will house 72 open workstations for the staff and four enclosed offices for the directors and the manager.
 - 2) These employees are being relocated from Ward II 3rd and 2nd Floors, and Ward I 2nd Floor.
 - 3) There is a small group of staff that will remain at Ward II 3rd floor to support the Data Center operations, and Infrastructure & Operations functions. In addition, there are several satellite workstations being created to house staff who must work from both locations. The balance of the space is being proposed for use by the non-public

operations of the Customer Service Department currently working out of the 900 Richards Street offices (King St Building).

- 4) The decision to relocate the Information Technology Services ("ITS") Department was due to the significant staff/operational growth in departments operating at the Ward Avenue facilities. ITS has staff scattered within Ward II 3rd Floor and 2nd Floor and the Ward I 2nd Floor. Other engineering departments also have staffing growth which required additional space within the areas currently (temporarily) occupied by ITS.

ITS was the best choice for relocation as they support internal customers throughout the company (both downtown and Ward Avenue, etc). The other engineering departments work closely together, making it difficult to relocate only one group.

Also, the area ITS is vacating is adjacent to the proposed area for Customer Services' Field Services Division, which enables all of Customer Service's non-public

operations to be consolidated

OFFICE LEASE

between

BISHOP SQUARE ASSOCIATES

and

HAWAIIAN ELECTRIC COMPANY, INC.

BISHOP SQUARE OFFICE LEASE

THIS LEASE, made and entered into this 9th day of December, 2004 by and between BISHOP SQUARE ASSOCIATES, a Hawaii general partnership, whose address in the State of Hawaii is c/o Commonwealth Partners Management Services, L.P., American Savings Bank Tower, Suite 200, 1001 Bishop Street, Honolulu, Hawaii, 96813 (hereinafter referred to as the "Landlord"), and HAWAIIAN ELECTRIC COMPANY, INC., whose principal place of business is 900 Richards St., Honolulu, HI 96813 and whose post office address is P. O. Box 2750, Honolulu, Hawaii, 96840-0001, (hereinafter referred to as the "Tenant").

WITNESSETH:

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, those certain premises described in Subsections 1.01(a) through (d), hereinbelow, which are identified by outlining on Exhibit A attached hereto (hereinafter referred to as the "Premises"), upon the terms and conditions set forth hereinbelow and as further set forth in the General Conditions of this Lease. The Premises are situated in the below-stated tower (hereinafter referred to as the "Building") of Bishop Square, 1001 Bishop Street, Honolulu, Hawaii 96813 (hereinafter referred to as the "Project").

SPECIFIC PROVISIONS, EXHIBITS AND SPECIAL CONDITIONS

1.01 Specific Provisions. The following constitute certain specific provisions and are referred to elsewhere in these lease documents:

- | | | |
|-----|---|------------------|
| (a) | Tower in which Premises are located: | Pauahi |
| (b) | Floor(s) on which Premises are located: | 5 th |
| (c) | Suite Number(s): | 500 |
| (d) | Area of Premises (Section 2.01): | |
| | "Usable Area" (Subsection 4.02(d)) | 15,892 |
| | Common Area Allocation | -0- |
| | "Rentable Area" (Subsection 4.02(d)) | 15,892 |
| (e) | Approximate length of Term
(Section 3.01): | Ten (10) years |
| (f) | "Commencement Date" (Section 3.02)
8:00 a.m. on: | February 1, 2005 |
| (g) | "Expiration Date" (Section 3.02 and
subject to earlier termination
as provided herein), 5:00 p.m. on: | January 31, 2015 |

- (h) "Monthly Base Rent" (Section 4.01):
- | <u>Period</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| February 1, 2005 – May 31, 2005 | \$ 0.00 |
| June 1, 2005 – January 31, 2010 | \$19,865.00 |
| February 1, 2010 – January 31, 2015 | \$23,043.40 |
- (i) Tenant's "Share" of the Building area under Subsection 4.02(d) (a decimal fraction of one (1) - not to be interpreted as a percentage): .03623
- (j) Tenant's monthly payment of "Estimated Building Operating Expenses and Taxes" for calendar year 2005 (\$1.03 per rentable foot, subject to change under Subsection 4.02(e) and (f)): \$16,368.76
- (k) "Security Deposit" (Section 4.08): None required
- (l) Use of Premises (Section 5.01): General Business Use
- (m) Landlord's and Tenant's addresses for notice (Section 22.08):
- (i) Landlord:
- Bishop Square Associates
c/o Commonwealth Partners Management Services, L.P.
American Savings Bank Tower, Suite 200
1001 Bishop Street
Honolulu, Hawaii 96813
- (ii) Tenant:
- Land & Rights of Way
Hawaiian Electric Company, Inc.
P. O. Box 2750
Honolulu, HI 96840-0001
- (n) Parking spaces allotted to Premises (Exhibit E):
- | | |
|--------------------|----|
| Reserved spaces: | 5 |
| Unreserved spaces: | 15 |

1.02 Exhibits. The following items are attached hereto as Exhibits and by this reference are made a part of this Lease:

- Exhibit A: Floor Plan Outlining the Premises.
- Exhibit B: General Conditions to the Lease.
- Exhibit C: Rules and Regulations.
- Exhibit D: Tenant Work Letter Agreement.
- Exhibit E: Parking License.

1.03 Special Conditions.

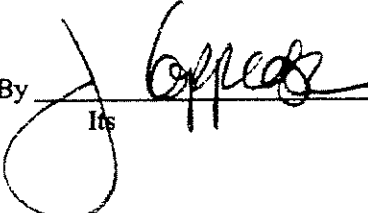
- A. Tenant Improvements. Landlord shall provide an allowance for the construction of improvements to the Premises, as per the set of plans and specifications to be mutually approved by both Landlord and Tenant. Landlord's contribution for said capital improvements shall be no more than \$50.00 per rentable square foot and shall include the costs of space planning, demolition, removal, construction materials and labor, architectural, mechanical and electrical plans and specifications, building permits and moving expenses.
- B. Landlord's Improvements. Landlord, at Landlord's expense, shall demolish the existing interior walls (and corridor walls, if designated by Tenant) and built-in cabinets and shelving, remove all floor covering, underlayment, and base (down to the concrete base floor) and cap water and drain lines. Landlord shall deliver the Premises in clean swept condition within thirty (30) days after fully executed leases. Also, Landlord, at Landlord's expense (which expense shall not be deducted from Tenant's improvement allowance), shall provide building standard parabolic light fixtures and ballasts based on one (1) fixture per every 90 square useable feet.
- C. Early Occupancy. Upon full execution of the lease document and Landlord's receipt of evidence of insurance as required by the lease, Tenant may take occupancy, at no additional charge, to begin making its improvements.
- D. Option to Renew. If Tenant is not in default of any of the terms, covenants, conditions, and restrictions of this Lease, Tenant shall have the non-transferable option to renew this Lease for five (5) additional years by giving Landlord notice in writing of Tenant's intention to do so no later than six (6) months prior the expiration the of this Lease. The Monthly Base Rent for the renewal options shall be 95% of the then prevailing market rent for similar space in downtown Honolulu. Landlord will provide an improvement allowance of \$15.00 per rentable square foot for the option period.
- E. Arbitration of Renewal Term Rent. In the event that Tenant exercises its option to extend the term of the Lease but disagrees with Landlord's determination of the Market Rent, Tenant shall so inform Landlord in writing at the time that Tenant exercises the option to extend. If Landlord and Tenant can not agree on the appropriate Market Rent within fifteen (15) business days after Tenant's notice of exercise of the option to renew is given, then the matter shall be submitted to arbitration by appraisal in the manner hereinafter set forth, and the parties agree to be bound by the decision of the appraiser(s)/arbitrator(s).

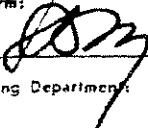
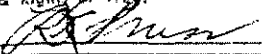
After a demand for arbitration by one of the parties and within ten (10) business days after such demand, the parties shall meet and attempt to agree upon and designate a mutually acceptable appraiser. In the event that the parties are unable to agree upon a single mutually acceptable appraiser within said ten (10) day period, then within ten (10) business days thereafter, each party shall appoint its own appraiser. The independent appraisers shall be directed to mail their independent appraisals to each of the parties simultaneously within twenty (20) business days thereafter. If the independent appraisals differ by no more than eight percent (8%), then the Market Rent shall be the average of the two appraisals. If the two appraisals differ by more than eight percent (8%), then the two appraisers shall, within ten (10) business days after being informed by either party that the two appraisals differ by more than eight percent (8%), choose a mutually agreed upon third appraiser who shall be a member of the American Institute of Appraisers and

have at least ten (10) years' experience in the appraisal of commercial properties in the metropolitan district which includes the Building. The third appraiser shall select the appraisal of either Landlord or Tenant which more closely approximates the Market Rent for the Premises. The Market Rent shall be equal to the conclusion of the selected appraisal.

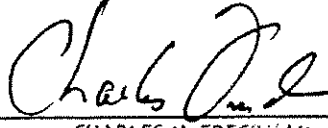
IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.


BISHOP SQUARE ASSOCIATES
By COMMONWEALTH PARTNERS
MANAGEMENT SERVICES, L.P.
Its Authorized Agent

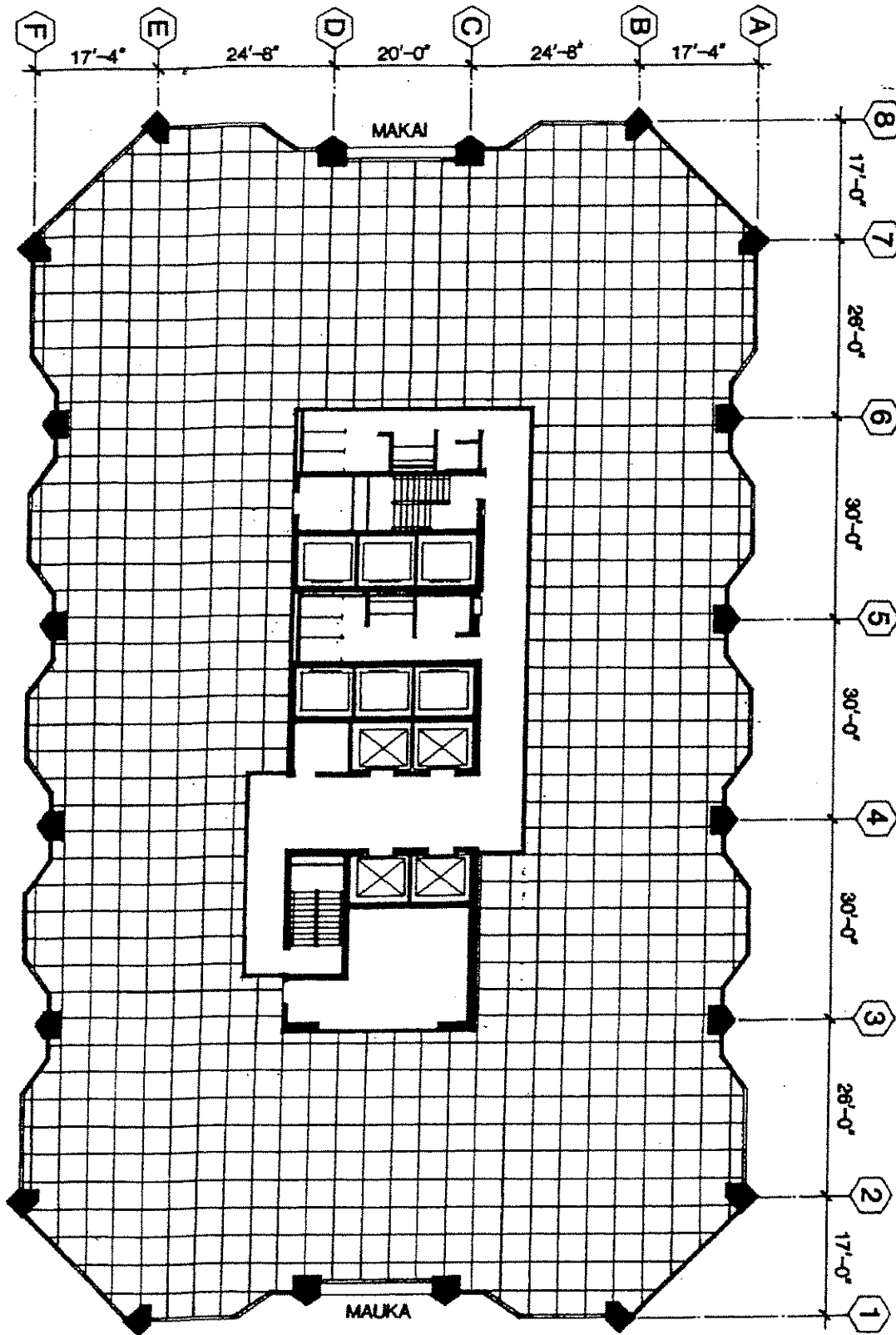
By 
Its _____
(Landlord)

APPROVED	
Legal Form:	<u></u>
By _____	
Engineering Department	
Survey Division	
Initiating Division	
Land & Rights of Way	
By <u></u>	

HAWAIIAN ELECTRIC COMPANY, INC.

By 
Its CHARLES M. FREEDMAN
VICE PRESIDENT

By 
Its JACKIE MAHI ERICKSON
VICE PRESIDENT
(Tenant)



TENANT: HECO

AREA TO BE LEASED: 15,892 rsf

GROSS FLOOR AREA: 17,045.74 SQ. FEET



Pauahi Tower
BISHOP SQUARE

EXHIBIT A :
TYPICAL FLOORS 3 THRU 12

EXHIBIT B

GENERAL CONDITIONS TO THE LEASE

ARTICLE I
AGREEMENT TO LEASE

1.01 Agreement to Lease. Landlord leases to Tenant and Tenant leases from Landlord the Premises described in Subsections 1.01(a) through 1.01(d) of the foregoing Specific Provisions, Exhibits and Special Conditions of this Lease (hereinafter referred to as "Specific Provisions") upon the terms and conditions set forth therein and as further set forth in these General Conditions to the Lease.

ARTICLE II
PREMISES

2.01 Definition of Premises. The term "Premises," wherever it appears herein, includes and shall be deemed to include (except where such meaning would be clearly inconsistent with the context) the space demised hereunder and all improvements therein. The space demised hereunder shall consist of the area indicated by the crosshatched portion of Exhibit A, and is bounded by the unfinished surface of the office side of the corridor and other permanent walls, to the center of demising walls, to the unfinished surface of the dominant portion of the permanent outer building walls, the unfinished top of the floor slab and the unfinished bottom of the floor slab of the floor above.

2.02 Quiet Enjoyment. Landlord agrees that, upon payment of the rent herein provided for and the observance and performance by Tenant of the covenants herein to be observed and performed by Tenant, subject to the provisions of this Lease, any underlying lease and any mortgage on Landlord's estate, Tenant shall peaceably hold and enjoy the Premises for the Term (as defined in Section 3.01 hereinbelow), except as otherwise provided in this Lease.

ARTICLE III
TERM OF LEASE

3.01 Term. The term of this Lease (the "Term") shall commence on the Commencement Date set forth in Specific Provision 1.01(f) herein above and shall end on the Expiration Date set forth in Specific Provision 1.01(g) hereinabove.

3.02 Delivery of Possession.

(a) Delivery and Acceptance. Except as otherwise provided in this Lease or in the "Work Letter" hereinafter defined, Landlord shall be deemed to have delivered possession of the Premises to Tenant on the Commencement Date, and Tenant hereby accepts the Premises, the common area and utility service available and designated to it in "as is" condition.

(b) **Delay in Delivery of Possession.** If Landlord, for any reason whatsoever, cannot deliver possession of the Premises to Tenant on the Commencement Date, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, but in that event, unless the delay in delivery of possession shall have been caused by Tenant or Tenant's agent, rent shall be waived for the period between the Commencement Date and the date Landlord delivers possession of the Premises to Tenant. In the event of any such delay, the Expiration Date set forth in Specific Provision 1.01(g) hereinabove shall be automatically extended for a period equal to the number of days of the delay plus the fewest number of days necessary to have the Term then end on the last day of the month, provided, however, that Landlord may, within ninety (90) days of delivery of possession, elect not to have the Expiration Date so extended by providing Tenant with written notice of such election. The Monthly Base Rent for such extended period shall be the amount(s) specified for such period in Specific Provision 1.01(h) hereinabove, or if not so specified, then the amount(s) specified for the last month of the term of this Lease.

(c) **Early Occupancy.** If the Premises are ready for occupancy prior to the Commencement Date, and Tenant takes early occupancy, then notwithstanding the provisions of Section 3.01, Tenant's obligations under this Lease, including the obligation to pay rent and "Building Operating Expenses" and "Taxes" hereinafter defined, shall commence upon the Commencement Date and shall continue through the Expiration Date.

(d) **Work Letter Agreement.** Landlord and Tenant shall complete certain improvements in the Premises pursuant to the terms of the Work Letter Agreement attached hereto as Exhibit D (the "Work Letter"). If

(b) **Building Operating Expenses.** As used herein, "Building Operating Expenses" shall include all costs of operation and maintenance of the Building, surrounding plaza, park, open areas and underground common areas, and shall include the following costs by way of illustration but not limitation: water and sewer charges, Building administration and management fees, bookkeeping costs, legal fees (excluding costs of collections or summary possession actions), license, maintenance of common area, permit and inspection fees, light, power, janitorial services, labor, air conditioning, rental of equipment and common area furnishings, supplies, tools, materials, repairs and maintenance of equipment, landscaping, irrigation, replacement of plants and insurance premiums or reserves for self-insurance. Any cost incurred to reduce operating expenses and the cost of acquisition or replacement of equipment or common area furnishings may be expensed or classified as capital improvements and included in Building Operating Expenses as depreciation over a reasonable period together with interest at a commercially reasonable rate as determined by Landlord on the undepreciated portion of such cost. Landlord shall reasonably allocate between or among the buildings of the Project the cost of all services, utilities, costs, expenses and fees which are provided to or incurred by the Project generally or more than one of the buildings of the Project and the portion so allocated to each building shall be included in that building's Building Operating Expenses. There shall be deducted from Building Operating Expenses all amounts paid by tenants to Landlord during the period for which Building Operating Expenses are being determined on account of the costs of repairs or extra services for which such tenant is directly responsible. Building Operating Expenses shall not include advertising the Building, depreciation on the Building, real estate broker's commissions and interest. Landlord shall have the option to self-insure, insure with deductibles, or obtain insurance coverage where the premiums fluctuate proportionately with losses incurred, and the estimated premium Landlord would have had to pay for insurance coverage with a recognized carrier shall be part of the Building Operating Expense. Landlord shall further have the right and option to obtain "blanket" insurance policies which insure other properties as well as the Building and allocate the premiums in a reasonable manner. During years in which less than an average of 95% of the rentable area in the Building is in fact occupied over the course of the year, the Building Operating Expenses shall be adjusted proportionately to that amount which would have resulted had the Building been 95% occupied, and Tenant shall pay its Share of that amount. The determination of Building Operating Expenses and the interpretation and application of the provisions of this Section 4.02 shall be in accordance with standard accounting principles as customarily applied to office building operating expenses as determined by Landlord in its reasonable discretion.

(c) **Taxes.** As used herein, "Taxes" means all federal, state and local government taxes, assessments and charges of every kind or nature, whether general, special, ordinary, or extraordinary, which Landlord shall pay or become obligated to pay because of or in connection with the ownership, leasing, management, control, or operation of the Building (including the land on which it is situated), or the personal property, fixtures, machinery, equipment, systems and apparatus located or used in connection with the Building. Taxes for any year shall be Taxes which are attributed to that year in accordance with standard accounting principles as customarily applied to office buildings in downtown Honolulu. There shall be included in Taxes for any year the amount of all fees, costs and expenses (including attorneys' fees) paid by Landlord during such year in seeking or obtaining any refund or reduction of Taxes. If a special assessment payable in installments is levied against the land on which the Building is located, Taxes for any year shall include only the installments of such assessment, and any interest, paid and/or accrued during such year. Taxes shall not include any federal, state, or local, sales, use, general excise, franchise, capital stock, inheritance, general income, gift, or estate taxes, except that if a change occurs in the method of taxation resulting in the substitution of any such taxes for any Taxes as above defined, such substituted taxes shall be included in Taxes.

(d) **Tenant's Share.** Tenant's Share is stated in Specific Provision 1.01(i) hereinabove and

computed by measuring to the inside finish of the corridor walls, to the glass line of the outer Building wall and to the middle of the demising walls, with no deductions made for columns and projections necessary to the Building. Tenant's "Rentable Area" is computed by adding to Tenant's Usable Area, Tenant's proportionate share of common corridors and toilets, air conditioning rooms, fan rooms, janitors' closets, electrical and telephone closets and any other areas within and servicing exclusively Tenant's floor, with no deductions made for columns and projections necessary to the Building. Tenant acknowledges that the measurements and calculations of Usable Area, proportionate share of common areas, Rentable Area and Tenant's Share set forth in Specific Provision 1.01 hereinabove are based on approximations of the actual areas but shall govern in any question relating to the area of the Premises, Tenant's Share and rental adjustments, and that the amount of the Monthly Base Rent set forth in this Lease is a negotiated figure and shall govern whether or not the actual square footages are the same as the square footages set forth in this Lease.

(e) **Estimated Payments.** Tenant shall pay to Landlord on or before the first day of each and every month during the Term and any extension thereof an amount equal to one-twelfth (1/12th) of Tenant's Share of the "Estimated Building Operating Expenses and Taxes" for that calendar year. Tenant's monthly payment of Estimated Building Operating Expenses and Taxes for the first calendar year of the Term shall be as set forth in Specific Provision 1.01(j) hereinabove. Thereafter, Tenant's monthly payment of Estimated Building Operating Expenses and Taxes shall be based on Landlord's estimate of Building Operating Expenses and Taxes for such calendar year. Estimated Building Operating Expenses and Taxes shall be subject in any event to revision and to annual and final settlement under this Section 4.02.

(f) **Annual Notices.** During each December during the Term, or as soon after each December as practicable, Landlord shall give Tenant written notice of the Estimated Building Operating Expenses and Taxes for the following calendar year. On or before the first day of each month during the following calendar year, Tenant shall pay to Landlord one-twelfth (1/12th) of Tenant's Share of the Estimated Building Operating Expenses and Taxes for such calendar year; however, if such written notice is not given in December, Tenant will continue to make monthly payments on the basis of the prior year's Estimated Building Operating Expenses and Taxes until the month after such written notice is given, at which time Tenant will commence making monthly payments based upon the Estimated Building Operating Expenses and Taxes as revised in such written notice. In the month Tenant first makes a payment based upon the revised Estimated Building Operating Expenses and Taxes, Tenant will pay to Landlord the difference between the amount payable based upon the revised Estimated Building Operating Expenses and Taxes and the amount payable based upon the prior year's Estimated Building Operating Expenses and Taxes, for each month which has elapsed since December.

(g) **Revised Estimates.** If at any time or times it reasonably appears to Landlord that the actual Building Operating Expenses and Taxes for any calendar year will vary from the Estimated Building Operating Expenses and Taxes for such calendar year, Landlord may, by written notice to Tenant, revise the Estimated Building Operating Expenses and Taxes for such calendar year, and subsequent payments by Tenant in such calendar year will be based upon such revised Estimated Building Operating Expenses and Taxes. Tenant acknowledges that Landlord has not made any representation or given Tenant any assurance that the Estimated Building Operating Expenses and Taxes will equal or approximate the actual Building Operating Expenses and Taxes for any calendar year during the Term.

(h) **Annual Settlement.** Within one hundred twenty (120) days after the end of each calendar year or as soon after such 120-day period as practicable, Landlord will deliver to Tenant a statement of amounts payable under this Section 4.02 for such calendar year prepared by Landlord. Such statement shall be final and binding upon Landlord and Tenant unless Tenant objects to it in writing to Landlord within thirty (30) days after it is delivered to Tenant. If such statement shows an amount owing by Tenant that is less than the estimated payment

previously made by Tenant for such calendar year, the excess shall be held by Landlord and credited against future payments of rent or additional rent; however, if this Lease has terminated and Tenant is not in default at the time of termination, Landlord will refund the excess to Tenant. If such statement shows an amount owing by Tenant that is more than the estimated payments previously made by Tenant for such calendar year, Tenant will pay the deficiency to Landlord within thirty (30) days after the delivery of such statement.

(i) **Final Settlement.** If this Lease terminates on a day other than the last day of a calendar year, the amount of increase, if any, in the Building Operating Expenses and Taxes payable by Tenant applicable to the calendar year in which this Lease terminates will be calculated proportionately on the basis of the number of days of the Term falling within such calendar year, and Tenant's obligation to pay any such increase shall survive the termination of this Lease.

4.03 Reimbursement For Repairs. Notwithstanding anything contained in Section 4.02 hereinabove to the contrary, Tenant shall reimburse Landlord for all expenses incurred by Landlord in repairing any damage to the Project, including without limiting the generality of the foregoing, the Premises, which shall be attributable to the conduct of Tenant and/or Tenant's directors, officers, partners, trustees, employees, agents, licensees, contractors and invitees (hereinafter collectively referred to as "Tenant's Affiliates"). Landlord shall notify Tenant of the amount of any such repair expenses, and upon demand, Tenant shall reimburse Landlord therefor. Any such reimbursement received by Landlord shall be credited to such portion of the Building Operating Expenses as shall be attributable to the expenses incurred by Landlord in repairing such damage.

4.04 Late Payment Charges. Every installment of rent and every other payment due hereunder from Tenant to Landlord which shall not be paid within ten (10) days after the same shall have become due and payable, shall bear interest as provided in Section 22.03 hereinbelow, whether or not demand shall be made therefor. It is also agreed that since collection of any amount past due imposes an administrative cost on Landlord, in addition to any fees of collection agents or attorneys or other out-of-pocket costs, Tenant will pay to Landlord a sum to reimburse Landlord for such administrative costs equal to five cents (\$.05) for every dollar past due as set forth in each billing or other written demand rendered or made by Landlord, computed on the amount then becoming past due as of each such billing or demand but not to exceed one such billing or demand per month. A similar charge of five cents (\$.05) for every dollar shall be charged for any check remitted for payment

4.06 Conveyance Tax. If any conveyance tax shall be imposed by law on account of this Lease, it shall be paid by Tenant. Landlord shall inform Tenant of the amount of such tax, if any, and the amount of such tax shall be due and payable by Tenant upon demand by Landlord.

4.07 Taxes on Tenant's Business and Personal Property. Tenant shall be responsible for and shall pay before delinquency all City and County of Honolulu, State of Hawaii and Federal taxes assessed during the Term against Tenant by reason of the conduct of its business in the Premises, with respect to any leasehold

compliance with all federal, state, or local laws, ordinances, rules and regulations now or hereafter in effect relating to environmental conditions, industrial hygiene, or said hazardous materials and shall immediately advise Landlord in writing if Tenant becomes aware of any breach of this Section 5.03.

(b) Clean Up Of Hazardous Materials. This Subsection 5.03(b) governs removal, repair, closure, detoxification, decontamination, or other clean-up as required by law (collectively the "Clean-up") of the Premises required by governmental agencies as a result of the presence or the effects of hazardous materials (collectively "Contamination") found in or about the Premises. In the event that any federal, state, or local governmental agency which has jurisdiction over the Premises requires a Clean-up of Contamination found in or about the Premises, such Clean-up shall be conducted and the costs thereof borne as follows:

(i) As between Landlord and Tenant, Landlord shall be responsible to conduct the Clean-up of the Premises if the Contamination existed prior to the time Tenant originally occupied the Premises or if the Contamination is shown to have been caused by Landlord or Landlord's contractors or agents. Tenant shall otherwise be responsible for the costs and expenses of such Clean-up.

(ii) If Tenant is responsible for the Clean-up, Tenant shall conduct and complete such Clean-up at Tenant's cost and expense to the extent such cleanup, removal, mitigation or other action is required by the Hazardous Materials Laws (as hereinafter described). If Tenant fails to diligently conduct and complete such Clean-up, Landlord may conduct and complete such Clean-up and may recover all of the costs and expenses of such Clean-up from Tenant as additional rent.

As used herein, the term "Hazardous Materials" means and includes, without limitation, inflammable explosives, radioactive materials, asbestos, organic compounds (including polychlorinated biphenyls), pollutants, contaminants, hazardous wastes, toxic substances or related materials and any substances

adopted or in effect in connection therewith (hereinafter collectively referred to as the "ADA"), and to take such actions and make such alterations and improvements as are necessary for such compliance. As between Landlord and Tenant, Tenant, at its sole cost and expense, shall be responsible that the Premises, and all alterations and improvements in the Premises, and Tenant's use and occupancy of the Premises, and Tenant's performance of its obligations under this Lease, comply with the requirements of the ADA, and to take such actions and make such alterations and improvements as are necessary for such compliance; provided, however, that Tenant shall not make any such alterations or improvements except upon Landlord's prior written consent pursuant to the terms and conditions of this Lease. If Tenant fails to diligently take such actions or make such alterations or improvements as are necessary for such compliance, Landlord may but shall not be obligated to take such actions and make such alterations and improvements and may recover all of the costs and expenses of such actions, alterations and improvements from Tenant as additional rent. Notwithstanding anything in this Lease contained to the contrary, no act or omission of Landlord, including any approval, consent, or acceptance by Landlord or Landlord's agents, employees, or other representatives, shall be deemed an agreement, acknowledgment, warranty, or other representation by Landlord that Tenant or Landlord has complied with the ADA or that any action, alteration, or improvement by Tenant or Landlord under this Lease complies or will comply with the ADA or constitutes a waiver by Landlord of Tenant's obligations to comply with the ADA under this Lease or otherwise. Any failure of Landlord to comply with the obligations of the ADA shall not relieve Tenant from any of its obligations under this Lease or constitute or be construed as a constructive or other eviction of Tenant or disturbance of Tenant's use and possession of the Premises or any part of the Project. Tenant shall further indemnify, defend and hold Landlord harmless against all costs and expenses, including reasonable attorneys' fees and costs, losses, damages (including foreseeable or unforeseeable consequential damages) and liabilities incurred by Landlord which may arise directly or indirectly from Tenant's Breach of this Section 5.04.

5.05 Advertising.

(a) **Signs.** Tenant shall not, without Landlord's prior written consent (which may be given or withheld in Landlord's sole discretion), inscribe any inscription or post, place or in any manner display any sign, notice, picture, placard, or poster, or any advertising matter whatsoever, anywhere in or about the Premises or the Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere outside the Premises.

(b) **Limitation on Distribution of Advertising.** Tenant shall not distribute to any of the other tenants in the Building or to their employees, customers, clients, or invitees, affix to vehicles parked in the parking area of the Building, or place or cause to be placed in any of the suites of the Building or any other area of the Project, any notices, advertisements, or written solicitations; or solicit or originate, or attempt to originate, any business whatsoever by distributing handbills or literature from any part of the Project, except within the Premises.

5.06 Security. Tenant shall be solely responsible, at its own expense, for providing security for Tenant's Premises.

5.07 No Smoking.

(a) Tenant shall not smoke or permit or allow smoking of tobacco products of any kind in the Premises, and Tenant shall not smoke or permit or allow any of Tenant's employees, agents or invitees to smoke tobacco products of any kind in the common areas or elsewhere in or about the Building or the Project, except in such smoking areas as may be specifically designated by Landlord.

(b) Tenant acknowledges and agrees that pursuant to Section 19.4 of this Lease, Landlord has the

right, but not the obligation, from time to time, to make, amend and enforce rules and regulations appropriate for the restriction of smoking in or about the Premises, the Building or the Project, and for the designation of such smoking areas in or about the Premises, the Building or the Project, as the Landlord deems appropriate for that purpose.

(c) Tenant further acknowledges and agrees that Landlord may install and monitor smoke detectors or other smoke monitoring devices or equipment in or about the Premises as the Landlord deems appropriate for the enforcement of this Section 4.07 or rules and regulations adopted pursuant to Section 19.4 of this Lease. Landlord shall have the right to enter the Premises at reasonable times and hours to install and monitor such devices and equipment, inspect and examine the Premises, and otherwise verify compliance with this Section 4.07 or rules and regulation adopted pursuant to Section 19.4.

(d) Any failure by Tenant to strictly observe and comply with this Section 4.07 or with rules and regulations regarding smoking adopted pursuant to Section 19.4 of this Lease shall constitute a default by Tenant under this Lease.

(e) Notwithstanding anything to the contrary contained in this Lease or in rules and regulations adopted pursuant to Section 19.4 of this Lease, Landlord shall not be in breach of this Lease or any covenant of quiet enjoyment and shall not be liable or responsible to Tenant or otherwise obligated to take any corrective action with respect to smoking by any other tenant or occupant of the Building, or the employees, agents or invitees of such other tenant or occupant in or about the Premises, the Building or the Project.

ARTICLE VI

SERVICES PROVIDED BY LANDLORD

6.01 Standard Services. Landlord shall furnish in the Building, during "Normal Operating Hours" (which may be set at Landlord's discretion in the rules and regulations for the Building as described in Section 19.04), reasonable quantities of unheated water, electric current for lighting and normal office use, automatic elevator service, common restroom facilities and air conditioning. Landlord also will provide janitorial services five (5) days per week.

6.02 Common Area Maintenance. Except as otherwise herein provided, Landlord will use reasonable efforts to maintain the public and common areas of the Building, such as stairs, lobbies, corridors and restrooms, in good order and condition except for any damage occasioned by the act or omission of Tenant or Tenant's Affiliates. Any damage as aforesaid shall be repaired by Landlord, the cost of which repair shall be borne by Tenant as provided in Section 4.03 hereinabove.

6.03 Charge for Providing Extraordinary Property and Services. If any property or services other than those required to be provided by Landlord to Tenant under this Lease shall be provided by Landlord to Tenant at the request of Tenant or for the benefit of Tenant, or if Tenant utilizes the Premises in excess of Normal Operating Hours as described in Subsection 4.02(j) hereinabove, Tenant shall pay Landlord for such extraordinary property or services and expenses as additional rent. Landlord shall notify Tenant of the amount of any such payment due, and Tenant shall make such payment to Landlord on or before the first day of the calendar month immediately following the calendar month in which any such notice is given. Such extraordinary property and services shall include, without limitation, gas, maintenance of vacuum and air compressors, hot water and extraordinary janitorial services. If Tenant shall install in the Premises any electrical equipment requiring power or air-conditioning (which installation shall require Landlord's prior written consent) in excess of that needed for normal office use in the Building, as determined by Landlord in its sole judgment, such excess shall be regarded

as extraordinary services for which Landlord shall be entitled to make an extraordinary charge pursuant to this Section 6.03. Landlord may cause an electric current meter to be installed in, and a separate electric line or lines to be installed and used for, the Premises, in order to measure the electricity consumed in the Premises, and the cost of such meter and line(s) and of installing and repairing such meter and line(s) shall be regarded as extraordinary property and services for which Landlord shall be entitled to make an extraordinary charge pursuant to this Section 6.03. Tenant agrees to pay Landlord promptly upon demand (but not more frequently than monthly) for all electricity consumed as shown by said meter, at the rates charged for such services by the local public utility. If Tenant shall install in the Premises any air conditioning system (which installation shall require Landlord's prior written consent) requiring Landlord to furnish additional electricity, air conditioning, or other utilities or services to the Premises or to any common areas or other premises (e.g., additional air conditioning required in common areas to offset the heat generated by an air conditioning exhaust directed out of the Premises into the common areas), such electricity, air conditioning, or other utilities or services shall be regarded as extraordinary services for which Landlord shall be entitled to make extraordinary charges pursuant to this Section 6.03, and Tenant shall pay such charges as additional rents.

6.04 Apparatus Requiring Excessive Utilities Usage. Tenant shall not, without the prior written consent of Landlord, connect with any gas or water pipes or with any electric wires or outlet in or about the Premises any main frame computer, x-ray machine, motor, water heater, stove, air conditioning system, furnace, or other apparatus or machine requiring excess amounts of electrical power, gas, or water. Tenant shall not, without the prior written consent of Landlord, install any machine or apparatus (including, without limitation, telephone equipment or air conditioning or heating systems) which requires air conditioning in excess of the standard amount supplied by Landlord throughout the majority of the Building or at times other than during the Normal Operating Hours of the Building. Landlord shall have the right, in its sole judgment, to withhold its consent under this Section 6.04.

6.05 Limitation on Liability. Landlord shall not be liable for any damages caused by the services to be provided by Landlord hereunder, or for interruption, malfunction, or curtailment of any of said services caused by maintenance, labor disturbances or labor disputes (whether caused by Landlord or otherwise), accidents, repairs, wars, riots and other causes beyond the reasonable control of Landlord, nor shall Landlord be liable for loss of or injury to persons or property, however occurring, through or in connection with or incidental to the furnishing of any of the foregoing. No such interruption, malfunction, or curtailment shall relieve Tenant from any of its obligations under this Lease or constitute or be construed as a constructive or other eviction of Tenant or disturbance of Tenant's use and possession of the Premises or any part of the Project or a breach by Landlord of any of its obligations hereunder.

ARTICLE VII

IMPROVEMENTS, ALTERATIONS AND RENOVATIONS BY TENANT

7.01 Improvements. Unless specifically provided to the contrary herein, when used in this Lease, the term "improvements" shall include all improvements existing at the commencement of the Term or at any time thereafter built by anyone in the Premises, including, without limitation, all walls and partitions which are not load-bearing; the interior decorated or finished surfaces of all perimeter and load-bearing walls and floor slabs; all ceilings and ceiling light fixtures (including those furnished by Landlord); all interior windows, all entrance doors, all mechanical and electrical conduits, wiring fixtures and equipment; all floor tile, carpeting, or other floor covering and wall covering and all other fixtures of all kinds, including, without limiting the generality of the foregoing, all ceiling sprinkler systems, air conditioning equipment and ducts, water, electric, telephone and other utility lines, ducts, conduits and facilities serving other portions of the Building which may pass through the

Premises. All improvements, alterations and additions in or upon the Premises (except signs and trade fixtures erected or placed upon the Premises by Tenant which are removable without damage of any kind to the Premises or the Building) shall become the sole and exclusive property of Landlord upon installation. All fixtures installed by Tenant shall be new or completely reconditioned.

7.02 Consent Required. Tenant shall not, without Landlord's prior written consent, make any alterations, repairs, improvements, or additions in or to the Premises, the cost of which exceeds FIVE THOUSAND AND NO/100 DOLLARS (\$5,000.00), or attach any fixtures or equipment therein (hereafter referred to as "Tenant Work"). In performing such Tenant Work, Tenant shall strictly comply with the requirements of Exhibit D attached hereto and with the following conditions (unless any of such conditions shall be waived in writing by Landlord in its sole discretion):

(a) **Approval of Architect and Contractor.** Tenant shall obtain Landlord's written approval of Tenant's construction contractor(s), engineer(s) and architect, all of whom shall be licensed in the State of Hawaii.

(b) **Approval of Plans and Specifications.** Tenant shall submit to Landlord for its approval, at least thirty (30) days prior to the date on which Tenant expects to commence construction, complete plans and specifications for such Tenant Work including, without limitation, plans for connections to utility systems existing in the Building. Landlord may specify minimum requirements for any alteration, repair, improvement, or addition of the Premises, the satisfaction of which shall be a prerequisite to Landlord's consent to any such alteration, repair, improvement, or addition.

(c) **Governmental Permits; Compliance With Laws.** Tenant shall, prior to any alterations, repairs, improvements, or additions in or to the Premises, furnish Landlord with a building permit and all other required governmental approvals. All such work shall comply with all laws, ordinances and governmental rules and regulations, and any such work not acceptable to any governmental authority or agency having or exercising jurisdiction over such work shall be promptly replaced, at Tenant's sole expense, notwithstanding any failure by Landlord to object to any such work, and Landlord shall have no responsibility therefor.

(d) **Financing Commitments.** Tenant shall provide Landlord with evidence satisfactory to Landlord that funds are available and/or committed to Tenant sufficient to pay for one hundred percent (100%) of the total direct and indirect costs of Tenant Work.

(e) **Bonds Against Liens.** Tenant shall deposit with Landlord a certificate or other evidence satisfactory to Landlord stating that each of Tenant's contractors for construction has obtained performance and labor and material payment bonds for not less than one hundred percent (100%) of the total cost of Tenant Work, naming Landlord and such other persons as Landlord may direct, as their interests may appear, as obligees. Such bonds shall be in form and amount and with surety satisfactory to Landlord.

(f) **Subordination of Mechanic's and Materialmen's Liens.** Tenant shall furnish Landlord with a written list of the names and addresses of its contractors and each subcontractor of such contractors. Each such contractor, subcontractor and materialman shall execute and deliver such documents as Landlord shall require to effectuate subordination, which said documents shall provide that such lien rights shall be subject and subordinate to the rights of Landlord and any mortgagee of Landlord with respect to all property on the Premises, regardless of whether said lien rights, if asserted, would otherwise be entitled to priority over the rights of Landlord or any mortgagee of Landlord.

(g) **Costs Incurred by Landlord.** Tenant shall reimburse Landlord, as additional rent, for any

expense or damage incurred by Landlord by reason of faulty work done by Tenant or its contractors, or by reason of inadequate cleanup.

(h) **Labor Relations.** All contractors engaged by Tenant must possess good labor relations, and in the event labor disputes disrupt their work or the harmony of the Building, Landlord reserves the right to require Tenant to terminate its contract with said contractors.

(i) **Completion.** All Tenant Work shall be diligently and continuously pursued from the date of its commencement through its completion. Upon substantial completion of any construction, Tenant shall file a "Notice of Completion" in the Office of the Clerk of the Circuit Court of the First Circuit, State of Hawaii, one (1) certified "filed" stamped copy of which shall be provided by Tenant to Landlord. On substantial completion of construction, Tenant's architect shall deliver to Landlord a complete set of "as-built" drawings and a certificate setting forth the total cost of such construction and certifying that Tenant Work has been completed in compliance with the approved plans and specifications therefor.

7.03 **Protection Against Liens.** Tenant shall promptly pay all contractors and materialmen, and shall keep the Premises and the Building free from any liens or encumbrances arising out of any work performed by or for Tenant, materials furnished for Tenant, or obligations incurred by Tenant. As a condition precedent to Tenant's payments of sums owed by Tenant to its contractors and materialmen, Tenant shall require such ~~contractors~~ their subcontractors and materialmen to submit lien releases to Tenant in form and content

consent thereto and such change, alteration, addition, or correction shall then be made by Tenant at Tenant's sole expense.

REPAIRS BY TENANT

8.01 Repairs by Tenant. Tenant will keep and maintain the interior of the Premises and all improvements in the Premises, in good, clean condition and repair. Tenant shall not make changes to locks on doors or add, disturb, or in any way change any plumbing, air conditioning system, or wiring without first obtaining the written consent of Landlord. All damage or injury done to the Premises by Tenant or by any persons who may be in or upon the Premises shall be promptly repaired by Tenant in quality and style not less than as originally installed by Landlord or Tenant, at Tenant's sole cost and expense, to the satisfaction of Landlord. All repairs to the structure of the Building shall be done by or under the direction of Landlord as provided in Section 9.02 hereinbelow. Except as otherwise provided herein, Landlord shall have no obligation to repair the interior of the Premises or any improvements therein.

8.02 Right to Cure Tenant's Default. If Tenant refuses or neglects to make proper repairs or alterations in accordance with this Lease and to the reasonable satisfaction of Landlord as soon as reasonably possible after written demand to do so, Landlord may, but shall not be obligated to, make such repairs or alterations without liability to Tenant for any loss or damage which may accrue to Tenant's stock or other property or to Tenant's business by reason thereof. Upon completion of such repairs or alterations, Tenant shall reimburse Landlord for the expenses incurred by Landlord in making such repairs and alterations. Landlord shall notify Tenant of the cost of any such repair or alteration expenses, and Tenant shall reimburse Landlord therefor pursuant to and in accordance with the provisions of Section 4.03.

ARTICLE IX **IMPROVEMENTS AND REPAIRS BY LANDLORD**

9.01 Alterations, Additions, or Capital Improvements by Landlord. Landlord may make any alterations, additions, or capital improvements required by law or which Landlord may deem necessary for the preservation, safety, or improvement of the Premises, the Building, surrounding plaza, park, open areas and underground common areas; and if such is done to comply with any such law, code, rule, regulation, ordinance, or

ARTICLE X
ASSIGNMENT, SUBLETTING AND MORTGAGING BY TENANT

10.01 Consent Required. Tenant shall not, without the prior written consent of Landlord, sell (by Agreement of Sale or otherwise), assign, mortgage, pledge, encumber, or otherwise transfer this Lease or any interest herein, or sublet the Premises or any part thereof, whether voluntarily or by operation of law, nor shall Tenant enter into an agreement to make any such transfer. The term "sublet" shall include, without limitation, any use of the Premises by any party other than Tenant. Any of the foregoing acts without such consent shall be void and constitute a default under this Lease. A condition precedent to any consent of Landlord shall be Tenant's agreement to pay to Landlord any costs and expenses incurred by Landlord for review by and consultation with Landlord's legal counsel, securing credit reports, administrative overhead and the like. Any such consent by Landlord shall not release Tenant from any of Tenant's obligations hereunder, or be deemed to be a consent to any subsequent assignment, mortgage, pledge, encumbrance, transfer, or subletting and such assignee or transferee other than Landlord shall be deemed to have assumed this Lease and remain liable jointly and severally with Tenant for payment of rent and any other payments to be made hereunder as well as all the terms and conditions of this Lease. No assignment, subletting, mortgaging, pledge, encumbrance, or transfer shall be made by Tenant if there is any default by Tenant under the terms of this Lease. Notwithstanding any provision to the contrary contained in this Lease, Landlord may deny any request for consent to an assignment of this Lease or a sublease of the Premises if Landlord in its discretion determines that the business activities of the prospective assignee or sublessee are likely to be inconsistent or incompatible with the nature of the Project as a first class office building, or the business activities being conducted by other tenants in the Project or in that portion of the Project, or which would be likely to violate the Rules and Regulations of the Project. In no event shall Landlord be required to consent to any assignment, subletting, mortgaging, pledge, encumbrance, or transfer by Tenant unless the documents by which such assignment, subletting, mortgaging, pledge, encumbrance, or transfer shall have been reviewed by Landlord and shall be acceptable to Landlord in substance and in form.

10.02 Landlord's Right of Recapture. If Tenant at any time desires to assign this Lease or to sublet the Premises or any part thereof, it shall first notify Landlord in writing of its desire to do so, and offer Landlord the right to recapture, at the per square foot rental for the space then applicable pursuant to this Lease or the rental which Tenant proposes to obtain, whichever is lower, all (but not part) of the Premises which Tenant desires to assign or sublet. Landlord, upon receipt of such notice, shall have the option, to be exercised within thirty (30) days from the date of the receipt of such notice, to require Tenant to execute an assignment of this Lease or sublease of the Premises or such portion thereof as Tenant desires to sublet, to Landlord in its own name, with the right to sublease to others, or anyone designated by Landlord. If Landlord exercises such option and such assignment or sublease is at the rental specified in this Lease or higher, Tenant shall be released of all further liability hereunder, from and after the effective date of such assignment or sublease, with respect to the Premises included therein. If Landlord should exercise such option and such assignment or sublease is at a rental less than that specified in this Lease, Tenant shall remain liable to Landlord only for the amount by which the rental stated in this Lease exceeds the amount of rental as so determined for the assignment or sublease to Landlord. If Landlord does not exercise such option within such time, Tenant may thereafter assign this Lease or sublet the Premises involved, provided Landlord consents thereto pursuant to the terms of this Lease, but at a rental not less than that proposed to Landlord in said notice and not later than ninety (90) days after delivery of the said notice unless Tenant provides a further notice in accordance with the foregoing procedure.

10.03 Mortgage. Prior to executing any mortgage, pledge, or encumbrance affecting the Premises, Tenant shall submit to Landlord a copy of the proposed mortgage and/or other security instrument(s) and the note to be secured thereby for Landlord's review and written approval; provided, however, that any mortgage, pledge,

or encumbrance for which Tenant shall seek the consent of Landlord shall be limited to Tenant's interest in furniture, fixtures and equipment that are not attached to or built into the Premises and in Tenant's leasehold estate hereunder. Landlord shall not unreasonably withhold its consent to any mortgage, pledge, or encumbrance permitted under this Section 10.03, provided that the proposed mortgagee, pledgee, or secured party thereunder is a recognized lending institution and such mortgage, pledge, or encumbrance is for the purpose of making improvements to the Premises and provided that Tenant agrees to pay to Landlord any costs and expenses incurred by Landlord for review by and consultation with Landlord's legal counsel. Upon the recordation of all documents relating to any mortgage, pledge, or encumbrance, Tenant shall deliver to Landlord certified copies of same as soon as possible thereafter, and shall cause to be recorded a release of said mortgage prior to the Expiration Date or the earlier termination of this Lease.

10.04 Change of Control. Any change in ownership of the majority of shares of the stock of Tenant (if Tenant is a corporation), as such majority ownership existed as of the date of this Lease, or any change in the identity of a majority in interest of the general partners of Tenant (if Tenant is a partnership), as the identity of such majority existed as of the date of this Lease, or any change or conversion of Tenant (if Tenant is a partnership) to a limited liability company or a limited liability partnership, shall be deemed to be an assignment or transfer of this Lease subject to Section 10.01. If the majority ownership of Tenant's business shall be changed as a result of any sale of assets, sale of stock, change in partners, merger, consolidation, or otherwise, or any combination or aggregation of the same during the Term hereof, so as to result in any change in the majority ownership or effective control of said business, Tenant shall give immediate notice thereof to Landlord and Landlord may terminate this Lease at any time after receipt of such notice or if such notice shall not be given, after discovery by Landlord of such change in ownership or effective control.

ARTICLE XI

SUBORDINATION, ATTORNMENT AND MORTGAGEE REQUIREMENTS

11.01 Subordination and Attornment. This Lease shall be subject to and subordinate at all times to any mortgages, liens, encumbrances and underlying leases as are now on or as Landlord may hereafter grant on the Project, the Building, or the Premises, and on Landlord's interest or estate herein. In confirmation of such subordination, Tenant agrees, within ten (10) days after request is made, to execute and deliver any instrument that the holder of any such mortgages, lien, encumbrance, or underlying lease may require to evidence such subordination.

11.02 Requirements of Landlord's Mortgagee. In the event any mortgagee of Landlord shall elect to have this Lease as an encumbrance prior to its mortgage, then and in such event, upon such mortgagee's notifying Tenant in writing to that effect, this Lease shall have priority over the lien of such mortgage to the same extent as if the same had been placed on record prior to such mortgage. In the event any proceedings are brought for the foreclosure of the Building or the Project, or in the event of exercise of the power of sale under any mortgage of the Building or the Project, whether or not this Lease is terminated by such foreclosure or sale, Tenant agrees that it will, upon request by the purchaser, attorn to the purchaser upon any foreclosure or sale and recognize such purchaser as landlord under this Lease. Tenant agrees to execute on request an attornment agreement with any such purchaser or with any mortgagee or other successor-in-interest of Landlord confirming Tenant's agreement to such attornment, it being the intent hereof that if this Lease should be terminated by such foreclosure or sale, it shall, upon request by the purchaser, be reinstated as a lease between the purchaser and Tenant. In the event that any mortgagee of Landlord's interest hereunder shall take possession of the Premises prior to or pending foreclosure pursuant to the terms of such mortgage, Tenant agrees upon request of such mortgagee to attorn to the

mortgagee as provided in the immediately preceding sentence. Tenant, upon request of any party in interest, shall execute such instrument or instruments as shall be requested to carry out the requirements of this section.

11.03 Estoppel Certificates. Tenant shall, upon not less than ten (10) days prior written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect), the dates to which the rental and other charges, if any, are paid in advance and the amount of Tenant's Security Deposit, if any, and acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, and that there are no events or conditions then in existence which, with the passage of time or notice or both, would constitute a default on the part of Landlord hereunder, or specifying such default, events, or conditions, if any are claimed and certifying to the extent true such other matters pertaining to this Lease as Landlord reasonably may request. It is expressly understood and agreed that any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Building or the Project. Tenant's failure to deliver such statement within such time shall, at the option of Landlord, constitute a default under this Lease and, shall be deemed conclusive evidence of the matters to be set forth in such statement.

11.04 Acceptance of Premises. Tenant shall, upon not less than ten (10) days prior written request from Landlord, execute and deliver to Landlord an Acceptance of Premises in the form proposed by Landlord, which Acceptance of Premises shall contain, among other matters, Tenant's acknowledgment that all improvements required to be constructed by Landlord have been constructed and completed to Tenant's satisfaction, except for such items as may be identified in a written "punchlist" prepared and delivered by Tenant to Landlord on or prior to the expiration of such ten (10) day period. If Tenant fails to execute and deliver such Acceptance of Premises to Landlord within said ten (10) day period, then all improvements required to be constructed in the Premises by Landlord shall be deemed to have been constructed and completed to Tenant's satisfaction, that Tenant has accepted the Premises as improved, that Tenant's occupancy of the Premises shall commence/resume as of the expiration of said ten (10) day period, and that Tenant has waived any and all claims (if any) it may have against Landlord relating to or arising out of the design or construction of said improvements.

ARTICLE XII

INDEMNITY AND RISK OF INJURY, LOSS AND DAMAGE

12.01 Indemnity. Tenant shall indemnify, defend and hold harmless Landlord and Landlord's directors, officers, partners, employees, agents, licensees, contractors and invitees (hereinafter collectively referred to as "Landlord's Affiliates") from and against any and all demands, claims, causes of action, judgments, losses (including for injury to persons or property or loss of life), damages (including consequential damages), charges, fines, penalties, costs and expenses of any kind (including reasonable attorneys' fees) from any cause, arising out of or relating to the Premises, this Lease, or the tenancy created under this Lease, including but not limited to: (a) the use or occupancy, or manner of use or occupancy, of the Premises, the Building, or the Project by Tenant or Tenant's Affiliates, (b) any act, error, omission, or negligence of Tenant or Tenant's Affiliates, (c) any activity, alteration, work, or thing done or omitted, permitted, allowed, or suffered by Tenant or Tenant's Affiliates in, on, or about the Premises, the Building, or the Project, or (d) any breach or default in the performance of any obligation on Tenant's part to be performed under this Lease, at Tenant's sole expense and with counsel reasonably acceptable to Landlord. The indemnification provided in this section shall not apply to the extent that a final judgment of a court of competent jurisdiction establishes that any such demand, claim, cause of action, judgment, loss, damage, charge, fine, penalty, cost, or expense was proximately caused by the negligence or

willful misconduct of Landlord or its employees or agents. The provisions of this section shall survive the termination of this Lease.

12.02 Non-Liability of Landlord. Tenant, as a material part of the consideration to Landlord for this Lease, will and hereby does assume all risk of loss or damage to furniture, fixtures, supplies, merchandise, and other property, by whomsoever owned, stored, or placed in, upon, or about the Premises, and does hereby agree that neither Landlord nor Landlord's Affiliates shall be responsible for loss or damage to any such property, Tenant agreeing to look to its insurance as its source of recovery. Tenant hereby agrees to indemnify, defend and save harmless Landlord and Landlord's Affiliates from and against any and all claims for such loss or damage, other than damage caused by the negligence or willful act of Landlord or Landlord's Affiliates. Landlord further shall not be liable for any loss or damage sustained by Tenant, its agents, employees, business guests, invitees, or sub-tenants by reason of any act, negligence or malice of any other tenant, occupants, invitees, or licensees of the Building, of the Project, of adjoining or contiguous properties, or of any other persons.

ARTICLE XIII **INSURANCE**

13.01 Liability and Other Insurance. Tenant shall procure and maintain during the entire term hereof, including any extensions or renewals hereof, without cost to Landlord, in an insurance company or companies qualified to do business in Hawaii, the following policies of insurance:

(a) a commercial general liability policy which shall:

(i) include coverage for bodily injury, property damage, premises and operations, independent contractors, products and completed operations, personal injury, blanket contractual liability, fire legal liability, and employees as additional insureds;

(ii) have the following initial minimum limits of:

(1) a combined single limit for bodily injury and property damage of not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate and \$2,000,000 products and completed operations aggregate;

(2) not less than \$1,000,000 per person for personal injury, subject to the \$2,000,000 general aggregate;

(3) not less than \$50,000 for any one fire for fire legal damage, subject to the \$2,000,000 general aggregate; and

(4) not less than \$5,000 for any one person for medical expenses, subject to the \$2,000,000 general aggregate;

(iii) be endorsed to provide that the general aggregate limit applies exclusively to the Premises; and

(iv) insure the performance by Tenant of the indemnity agreement under Section 12.01 of this Lease; provided, however, that the limits of such insurance shall not limit the liability of Tenant under said

Section 12.01.

(b) an umbrella policy with minimum limits of \$2,000,000, in addition to other limits provided by the commercial general liability and employers' liability policies required under this Lease. Such umbrella policy shall, at a minimum, provide as broad a coverage as the aforementioned primary insurance policies.

(c) appropriate workers' compensation and employers' liability insurance as is required by (and which insurance shall be in conformity with) the laws of the State of Hawaii for all employees working in or at the Premises, providing not less than the statutory workers' compensation benefits and employers' liability insurance limits of not less than \$500,000 for each employee, \$500,000 policy limit by disease, and \$500,000 for each accident.

(d) All insurance required to be provided by Tenant under this Section 13.01 shall:

(i) be written on an "occurrence" form;

(ii) cover the whole of the Premises, the walkways in front of the Premises, and the business operated by Tenant and/or any further sublessee within the Premises and shall also cover any act or omission of any employee of Tenant and any occurrence involving any employee of Tenant which occurs at any other portion of the Building and occurs in the course of such employee's employment with Tenant; and

(iii) include an endorsement providing that inclusion of more than one entity as insured under any such policy shall in no way affect the right of any insured entity thereunder as respects any claim, demand, suit, or judgment made or brought by or in favor of any other insured entity, so that the policy shall protect each entity in the same manner as though a separate policy had been issued to each entity.

13.02 Property Insurance. Tenant shall, without cost to Landlord, keep the Premises and all improvements, furniture, equipment, fixtures, appurtenances, trade fixtures, goods, wares, merchandise, inventory and all other contents located in the Premises insured throughout the term hereof and any renewals or extensions for the full replacement cost new at the time of loss, with agreed value and no coinsurance and without deduction for depreciation, against the perils commonly insured under the I.S.O. Broad Coverage Form (Form 1020), and also against loss or damage by flood, tsunami, or hurricane.

13.03 General Insurance Requirements.

(a) All insurance required to be obtained by Tenant under this Lease shall:

(i) be issued by an insurance company approved and authorized to do business in the State of Hawaii, with an A. M. Best published rating of not less than "A-" - Class VII, and otherwise reasonably approved by Landlord;

(ii) include an endorsement providing that such insurance will be written as primary coverage and not contributing and not in excess of any coverage that Landlord or any agent of Landlord or any superior lessor or any other building manager may carry;

(iii) include an endorsement providing that the policies will not be canceled, allowed to expire by non-renewal, or modified without thirty (30) days written notice to Landlord prior to the effective date of the proposed cancellation, non-renewal, or modification; and

(iv) name Landlord (Bishop Square Associates, a joint venture consisting of The Northwestern Mutual Life Insurance Company and its wholly owned subsidiaries and agents and the State of California Public Employees Retirement System (CALPERS)), Landlord's managing agent (Commonwealth Partners Management Services, L.P., dba Bishop Square Management, and its successors and assigns), and any and all superior lessors, agents, mortgagees and other lenders and such additional entities as may be specified by Landlord from time to time, as additional insureds thereunder, as their interests shall appear; provided, however that such parties are not required to be named as additional insureds under the workers' compensation insurance referred to in Subsection 13.01(c).

(b) Prior to occupancy of the Premises, Tenant shall deposit with Landlord current certificates of all insurance required to be obtained by Tenant under this Lease in form and content reasonably acceptable to Landlord. Such certificates shall name as additional insureds all persons who are required to be named as such in this Lease. Unless such certificates authorize Tenant to waive all the rights of recovery and subrogation described in Section 13.04 on behalf of Tenant's insurance carriers, Tenant shall provide Landlord with appropriate waivers of subrogation issued by Tenant's insurance carriers. At least ten (10) days prior to the expiration date of any such policy of insurance, Tenant shall deposit with Landlord renewal certificates of insurance. All said certificates shall contain a provision that the policies will not be canceled, allowed to expire by non-renewal, or modified without thirty (30) days notice to Landlord prior to the effective date of the proposed cancellation, non-renewal, or modification. If requested by Landlord, true and complete copies of any or all insurance policies required under this Lease shall be deposited with Landlord by Tenant.

(c) Tenant acknowledges that inflation may reduce the effective value of coverage, that terms of insurance contracts or endorsements may be revised, that the types of insurance contemplated herein may become unavailable, or that other circumstances may arise which affect or threaten to affect the protection to be afforded by the insurance required hereunder. Accordingly, Landlord shall have the right from time to time, by notice to Tenant, to increase the minimum policy limits required in this Lease or to require Tenant to procure and maintain additional forms of insurance, to such amounts or coverages to be consistent with the prevailing amounts of coverage then carried by prudent landlords and tenants of comparable first class office buildings in the downtown Honolulu area. Said policies shall also contain an agreed valuation provision and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.

ARTICLE XIV

DAMAGE AND RESTORATION

14.01 Repairs by Landlord.

(a) **Partial Damage.** If the Building shall be damaged or destroyed during the Term by any casualty insured under standard fire and extended coverage policies, or if the Building shall, in the opinion of Landlord's architect, be damaged by any other type of casualty to an extent less than twenty percent (20%) of what had been the assessed value of the Building for real property tax purposes immediately prior to such other type of casualty, Landlord shall, except as otherwise provided in this Lease and subject to any delay or inability from causes beyond its control, repair and/or rebuild the Building substantially to what had been the condition thereof immediately prior to such damage or destruction, but Landlord shall restore the Premises only to loft space with demising walls and with Building services or conduits extending to such demising walls. Tenant shall complete the restoration of the Premises within the demising walls.

(b) Major or Total Damage. If the Building shall be destroyed or shall be damaged to the extent of twenty percent (20%) or more of what had been the assessed value thereof for real property tax purposes immediately prior to the casualty, and such casualty shall not have been insured under standard fire and extended coverage policies, then Landlord may, at its option, either terminate this Lease or elect to repair such damage or rebuild the Building. If Landlord elects to repair or rebuild the Building, Landlord shall perform such repair or rebuilding as provided in Subsection 14.01(a) hereinabove, and rent shall be abated proportionately as provided in Section 14.03 hereinbelow. Within thirty (30) days after any such casualty, Landlord shall notify Tenant whether Landlord intends to repair or rebuild the Building. If Landlord elects not to repair or rebuild, this Lease shall terminate without further notice and all further obligations of both parties hereunder shall cease (other than those which shall theretofore have accrued), effective as of the date on which Tenant ceases doing business in the Premises. If such damage or destruction occurs and this Lease is not terminated by Landlord, this Lease shall remain in full force and effect, and Landlord and Tenant waive the provisions of any law to the contrary.

14.02 Repairs by Tenant. Notwithstanding anything to the contrary contained in Section 14.01 hereinabove, in the event of any damage or destruction affecting the Premises, unless this Lease is terminated pursuant to Subsection 14.01(b) hereinabove, Tenant shall forthwith replace or fully repair all improvements in the Premises. Tenant shall have no interest in the proceeds of any insurance carried by Landlord.

14.03 Abatement of Rent. In the event that Landlord shall repair and/or rebuild the Building pursuant to Subsection 14.01(a) or Subsection 14.01(b) hereinabove, then, during any period in which Tenant is not reasonably able to conduct any business in the Premises or otherwise make any permitted use of the Premises as a result of damage or destruction to the Building by such casualty not resulting from the negligence of Tenant or Tenant Affiliates, the Monthly Base Rent then otherwise payable for the period shall be abated by such amounts as Landlord shall equitably determine. The period of such abatement shall commence upon such destruction or damage and shall terminate at such time as Tenant is able to again conduct its business in the Premises or otherwise make any permitted use of the Premises, or upon completion by Landlord of such repair and/or rebuilding work as Landlord is obligated to perform pursuant to this Lease, whichever is earlier.

ARTICLE XV **CONDEMNATION**

15.01 Termination of Lease as to Portion Taken. Unless otherwise terminated hereunder, if the Premises or any part thereof or interest therein is taken by condemnation (other than a temporary taking, which is provided for in Section 15.06 hereinbelow), this Lease shall terminate as to the part so taken as of the time possession thereof shall vest in the condemnor or title thereof shall vest in the condemnor, whichever shall first occur.

15.02 Landlord's Option to Terminate. If (a) the Premises or any part thereof or interest therein is taken by condemnation, or (b) any portion of the Building or the land whereon the Building is situate is taken by

terminate this Lease by giving Landlord written notice of termination within fifteen (15) days after possession is lost or title passes, whichever shall first occur. Any such termination shall be effective as of the last day of the calendar month next following the month in which such notice is given.

15.04 Reduction of Rent. If part of the Premises is taken by condemnation (other than a temporary taking which is provided for in Section 15.06 hereinbelow) and neither Landlord nor Tenant shall terminate this Lease as provided herein, then this Lease shall continue in full force and effect as to the part of the Premises not taken as of the date of such taking, and the Monthly Base Rent shall be appropriately reduced by such amount as Landlord may determine in an equitable manner having regard to the extent to which Tenant may be required to discontinue its business in the Premises. Tenant's Share of Building Operating Expenses shall also be equitably reduced to reflect such condemnation. On any such termination, the rent and other charges, if any, payable hereunder shall be prorated as of the date of such termination, provided that rent shall be payable by Tenant to Landlord for any holdover tenancy according to the provisions of Section 18.01 hereinbelow.

15.05 Right to Compensation. In the event of any taking specified in Sections 15.01, 15.02, or 15.03 hereinabove, all compensation and damages payable or to be paid for or by reason of such taking shall be payable to and be the sole property of Landlord without any apportionment to Tenant, and Tenant hereby assigns to Landlord any right to compensation or damages for its leasehold interest in the Premises condemned; provided, however, that Tenant shall not be prevented hereby from filing any claim against the condemning authority for the taking of any fixtures owned by Tenant and for moving expenses. Termination of this Lease by Landlord pursuant to Section 15.02 or by Tenant pursuant to Section 15.03 shall not affect the respective rights of Landlord and Tenant to compensation and damages.

15.06 Taking for a Limited Period. If the Premises or any part thereof shall be taken by condemnation for a limited period, this Lease shall not terminate and Tenant shall continue to pay in full the rent provided for herein, in the manner and at the times herein specified and, except only to the extent that Tenant is prevented from so doing by reason of any order of the condemning authority, Tenant shall continue to perform and observe all of the other covenants, agreements, terms and provisions of this Lease as though such taking had not occurred. In the event of any such taking, provided that Tenant is not then in default under this Lease, Tenant shall be entitled to the entire amount paid by governmental authority with respect to governmental occupancy of the Premises during the Term (whether paid by the authority as damages, rent, or otherwise), and in the event any such governmental occupancy extends beyond the date of termination of this Lease, all such amounts paid by governmental authority shall be prorated as of the date of termination of this Lease; provided, however, that Landlord shall have a lien on all amounts payable to Tenant and may require Tenant to irrevocably assign the same to Landlord to be held without interest as security for the payment of rent and other sums that shall be payable by Tenant during such period. Tenant covenants that at the termination of any such limited or specified period prior to the expiration or earlier termination of this Lease, Tenant will, at its sole cost and expense, restore the Premises and improvements therein as near as may be reasonably possible to the condition that the same were in prior to such taking.

ARTICLE XVI

BANKRUPTCY AND INSOLVENCY

16.01 Landlord's Option to Terminate. If the estate of Tenant created hereby shall be taken in execution or by other process of law, or if Tenant or any guarantor of Tenant's obligations hereunder (hereinafter referred to as the "guarantor") shall be adjudicated insolvent pursuant to the provisions of any present or future insolvency statute under state law, or if any proceedings are filed by or against the guarantor under the Bankruptcy

Code, or any similar provisions of any future federal bankruptcy law, or if a receiver or trustee of the property of Tenant or the guarantor shall be appointed under state law by reason of Tenant's or the guarantor's insolvency or inability to pay its debts as they become due or otherwise, or if any assignment shall be made of Tenant's or the guarantor's property for the benefit of creditors under state law, then in such event Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder, by giving Tenant written notice of the election to so terminate.

16.02 Tenant's Election to Assume. If Tenant becomes a Debtor under Chapter 7, 11, or 13 of the Bankruptcy Code and the Trustee or Tenant, as Debtor-in-Possession, elects to assume this Lease for the purpose of assigning it or otherwise, such election and any assignment may only be made if the terms and conditions of Sections 16.03 and 16.04 are satisfied. If the Trustee or Debtor-in-Possession fails to assume this Lease within sixty (60) days after the filing of the Petition, this Lease shall be deemed to have been rejected. Landlord ~~immediately thereupon shall be entitled to possession of the demised premises without further obligation to~~

(e) For purposes of Section 16.03, Landlord and Tenant acknowledge that, in the context of the bankruptcy proceeding of Tenant, at a minimum "adequate assurance" shall require that (i) the Trustee or the Debtor-in-Possession has and will continue to have sufficient unencumbered assets and funds after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Debtor-in-Possession will be able to fulfill the obligations of Tenant under this Lease; and (ii) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord, and/or the Trustee or the Debtor-in-Possession shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Tenant or the Trustee or the Debtor-in-Possession, acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Debtor-in-Possession to cure the monetary and non-monetary defaults under this Lease within the time periods set forth above.

16.04 Assumption and Assignment. If the Trustee or Debtor-in-Possession has assumed this Lease pursuant to the terms and provisions of Sections 16.02 and 16.03, for the purpose of assigning (or election to assign) Tenant's interest under this Lease or the estate created thereby, to any other person, such interest or estate may be so assigned only if Landlord has acknowledged in writing that the intended assignee has provided the following adequate assurance of future performance of all of the terms, covenants and conditions of this Lease to be performed by the tenant under this Lease:

(a) The assignee has submitted a current financial statement audited by a Certified Public Accountant which shows a net worth and working capital in amounts determined by Landlord to be sufficient to assure performance by such assignee of the tenant's obligations under this Lease.

(b) The assignee, if requested by Landlord, shall have obtained guarantees in form and substance satisfactory to Landlord from one or more persons who satisfy Landlord's standards of creditworthiness.

(c) Landlord has obtained all consents or waivers from any third party required under any lease, mortgage, financing arrangement, or other agreement by which Landlord is bound to permit Landlord to consent to such assignment.

(d) The assignee's use of the premises will, in Landlord's judgment, be consistent with any attempt by Landlord to provide a specific tenant mix in the Project.

16.05 Termination After Assumption. If this Lease is assumed by the Trustee or Debtor-in-Possession and thereafter Tenant is liquidated, files a subsequent Petition for reorganization or adjustment of debts under

Chapter 11 or 13 of the Bankruptcy Code, or otherwise defaults under this Lease, then, and in any of such events, Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder, by giving Tenant written notice of its election to so terminate.

16.06 Minimum Reasonable Charges. When, pursuant to the Bankruptcy Code, the Trustee or Debtor-in-Possession shall be obligated to pay reasonable use and occupancy charges for the use of the demised premises or any portion thereof, such charges shall not be less than the Basic Monthly Rent and additional rent otherwise due under this Lease.

16.07 Landlord's Consent Required. Neither Tenant's interest in this Lease, nor any lesser interest of Tenant herein, nor any estate of Tenant hereby created, shall pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity, by operation of law or otherwise under the laws of any state having jurisdiction of the person or property of Tenant (hereinafter referred to as the "state law") unless Landlord shall consent to such transfer in writing. No acceptance by Landlord of rent or any other payments from any such

trustee, receiver, assignee, person, or other entity shall be deemed to have waived, nor shall it waive, either the need to obtain Landlord's consent or Landlord's right to terminate this Lease for any transfer of Tenant's interest under this Lease without such consent.

ARTICLE XVII
DEFAULT BY TENANT

17.01 Definition of Default. Tenant shall be in default under this Lease whenever Tenant fails to fully observe or perform any term or condition of this Lease to be observed or performed by Tenant. The following are examples of possible defaults by Tenant and are not intended to be an exhaustive list of possible defaults under this Lease. Tenant shall be in default under this Lease, among other circumstances, if:

(a) Tenant shall fail to pay rent or additional rent or any other charge, assessment, or amount Tenant is obligated to pay hereunder, within the time period specified, or if no time period is specified, within three (3) days after the same becomes due, whether the same shall or shall not have been legally demanded, or

(b) Tenant shall fail to pay to Landlord, within fifteen (15) days after receipt of notice from Landlord, the sum required to replenish the Security Deposit in accordance with Subsection 4.08(b) of this Lease, or

(c) Tenant shall fail to observe or perform any of the other covenants herein contained and on Tenant's part to be observed and performed, and such default shall continue for fifteen (15) days after written notice thereof is given to Tenant, or if such default in observance or performance of such other covenants cannot reasonably be cured within said fifteen (15) day period, then such longer time as may be required, provided that Tenant shall within said period commence such cure and thereafter diligently prosecute the same to completion, or

(d) Tenant shall become bankrupt, or file any debtor proceedings, or any case or proceeding, voluntary or involuntary, be filed by or against Tenant as debtor under any provision of the Federal Bankruptcy Code and such proceeding shall not be dismissed or discharged within thirty (30) days from the date of the filing thereof, or if any case or proceeding be filed by or against Tenant under any state statute governing any debtor-creditor rights, seeking to have an order or decree rendered against Tenant directing any readjustment, arrangement, composition, or reduction of Tenant's debts, liabilities, or obligations, or making any assignment for the benefit of creditors, or

(e) Tenant shall vacate or abandon the Premises for a period of ten (10) days, or shall remove substantially all of Tenant's personal property therefrom, or

(f) This Lease or any estate or interest of Tenant hereunder shall become subject to any attachment or judgment, or to any lien, charge, or encumbrance not consented to by Landlord pursuant to the provisions of this Lease, or

(g) Any guarantor of this Lease shall default under any guaranty of this Lease, or shall repudiate or revoke any such guaranty of any obligation under such guaranty, or any event described in clause (d) of this Section 17.01 shall occur respecting any guarantor of this Lease (as if said clause (d) referred to such guarantor in place of Tenant), or

(h) Tenant shall fail to observe and comply with any of the rules and regulations promulgated by

Landlord pursuant to Section 19.04 of this Lease and such failure continues for more than fifteen (15) days after notice from Landlord to Tenant, or

(i) Tenant shall breach the business and use provision in Article V and such breach shall continue after twenty-four (24) hours notice by Landlord to Tenant of the same.

17.02 Landlord's Remedies. In the event of any such default, Landlord shall have the right to pursue, at its election, any one or more of the following remedies, in addition to any other remedy or remedies now or later available to Landlord at law or in equity:

(a) **Termination by Notice.** Landlord may, at any time, give Tenant written notice of Landlord's intention to terminate this Lease on the earliest date permitted by law or on any later date specified in such written

except as to Tenant's liability for rent, damages and other amounts as herein provided.

(b) **Summary Possession.** Landlord may bring an action for summary possession or such other proceeding for possession, and in any such action or proceeding, service of prior notice or demand is hereby

the costs and expenses of recovering possession of the Premises, reletting the Premises and putting the Premises in good order and condition, including, but not limited to, attorneys' fees, brokers' commissions and advertising expenses, and then to the payment of rent and the fulfillment of the other covenants of Tenant, and the balance, if any, to be paid over to Tenant, provided that Tenant shall remain liable for any deficiency, which deficiency Tenant shall pay monthly as the same may accrue. Landlord shall not be liable for any failure to relet the Premises or any part thereof or for any failure to collect any rent due upon such reletting. No re-entry, reletting, or other such action shall be construed as an election on Landlord's part to terminate this Lease, unless Landlord provides written notice of such termination or a writ of possession is issued as specified hereinabove. Landlord reserves the right following any such re-entry or reletting to exercise its right to terminate this Lease by giving Tenant written notice thereof or to pursue summary possession or other remedies as provided in this Lease.

17.04 Damages. In the event this Lease is terminated by Landlord's written notice under Subsection 17.02(a) above, or by issuance of a writ of possession under Subsection 17.02(b) above, or by any other means permitted under this Lease or under applicable law, Landlord shall be entitled to recover from Tenant as damages for loss of the bargain and not as a penalty, all of the following:

(a) The amount of unpaid "Rent" hereinafter defined), due at the time of termination, plus interest thereon through the date of the award at the rate set forth in Section 22.03 below;

(b) The amount by which the unpaid Rent that would have been due between the time of termination and the time of the award exceeds the amount of unpaid Rent that Tenant proves could reasonably have been avoided, plus interest thereon through the date of the award at the rate set forth in Section 22.03 below;

(c) The amount by which the unpaid Rent for the balance of the Term of this Lease (had the same not been so terminated by Landlord) after the time of the award exceeds the amount of unpaid Rent that Tenant proves could reasonably be avoided, discounted to present worth at the rate of one percent (1%) per annum above the discount rate of the Federal Reserve Bank in effect at the time of the award;

(d) Any other amounts necessary to compensate Landlord for all detriment arising from or relating to Tenant's failure to perform its obligations under this Lease, which may include, but shall not be limited to, all costs and expenses of recovering possession of the Premises, of leasing the Premises to another tenant or other tenants (which may include improvement allowances, rent concessions and other allowances, concessions, deductions, abatements and discounts), and of putting the Premises in good order and condition to facilitate any such leasing (which may include reasonable alterations, repairs, modifications and improvements), and all attorneys' fees, brokerage commissions, advertising costs and other costs and expenses incurred in connection therewith; and

(e) Any other amounts, in addition to those listed above, that may be permitted by applicable law or by any other provision of this Lease.

The term "Rent" as used in this Section 17.04 shall include Monthly Base Rent, Tenant's Share of Building Operating Expenses and Taxes, late charges, interest and all additional rent and other amounts due from Tenant under this Lease. The determination, if any, of the "amount of unpaid Rent that Tenant proves could reasonably have been avoided" under Subsection 17.04(b) above or of the "amount of unpaid Rent that Tenant proves could reasonably be avoided" under Subsection 17.04(c) above, shall take into account, among other things, the reasonable period of time required to lease the Premises to another tenant or other tenants reasonably acceptable to Landlord, the then current rental values of the Premises and other premises in the Building and the actual experience of Landlord in leasing the Premises and other premises in the Building. Additionally, if, prior to the

date of award, Landlord leases the Premises or any part thereof to another tenant or other tenants, the Rent reserved upon such leasing shall be presumed to be the fair and reasonable rental value for the Premises or part thereof for the term of such leasing.

Landlord shall have the privilege of splitting its cause of action for rents, damages, or any other amounts due under this Lease, so as to permit the institution of separate suits or proceedings, and neither the institution of any such suits or proceedings nor the entering of any judgments therein, shall bar Landlord from bringing any subsequent suits or proceedings. Any payments and other amounts received from Tenant shall be applied as received first to late charges, then to interest and finally to the oldest items then outstanding in Tenant's account.

17.05 Waiver of Redemption. Tenant hereby waives any rights of redemption arising as a result of Landlord's exercise of any of its remedies under this Lease.

17.06 Remedies are Cumulative. Each and all of the remedies given to Landlord hereunder are cumulative and the exercise of one right or remedy by Landlord shall not impair Landlord's right to any other remedy.

17.07 Cross Default. If Tenant or any entity affiliated with Tenant shall be a sublessee or otherwise shall occupy any other premises under any lease, concession, license (including, without limitation, a parking license), or any other arrangement, at any location owned, operated by, controlled by, or under the management of Landlord or any entity affiliated with Landlord or shall in any fashion or in any location stand in a tenant/landlord or similar relation with Landlord or any entity affiliated with Landlord or with any successor or assign of any such affiliate or with any entity in which any such affiliate has a proprietary interest, then any default with respect to any such tenancy shall be deemed to be a default hereunder and shall give to Landlord all rights and remedies provided herein with respect to this Lease; and any default with respect to this Lease shall be deemed to be a default under any and all such other tenancies or arrangements, and shall give to the entity controlling Landlord's interests therein all rights and remedies for default provided under such other tenancy agreements or arrangements. An entity shall be deemed to be affiliated with Landlord if it has any owner, officer, director, managing employee, or managing agent in common with Landlord, if Landlord stands in such capacity with respect to such entity, or if such entity stands in any such capacity with respect to Landlord. An entity shall be deemed to be affiliated with Tenant if it has any owner, officer, director, managing employee, or managing agent in common with Tenant, if Tenant stands in any such capacity with respect to such entity, or if such entity stands in any such capacity with respect to Tenant.

ARTICLE XVIII

TERMINATION

18.01 Holding Over. If Tenant shall remain in possession after the expiration or sooner termination of this Lease, all the terms, covenants and agreements hereof shall continue to apply and bind Tenant so long as Tenant shall remain in possession, insofar as the same are applicable, except that if Tenant remains in possession without Landlord's written consent, the rent shall be at the rate then prevailing for similar space in the Building or one and one-half (1½) times the rent for the last month of the Term, whichever is greater, prorated on a daily basis for each day that Tenant remains in possession, and Tenant shall also be liable to Landlord for any and all consequential damages resulting from failure to surrender possession. If Tenant remains in possession with Landlord's written consent, such tenancy shall be from month-to-month, terminable by either party by not less than thirty (30) days prior written notice.

18.02 Surrender of the Premises. At the expiration or sooner termination of this Lease, Tenant will surrender and deliver up to Landlord, possession of the Premises, together with all improvements (including, without limitation, cut-to-order floor coverings, built-in furniture and book shelves and all plumbing and electrical connections) whenever and by whomsoever made or placed therein, in good condition and repair, ordinary use and wear excepted; provided, however that Tenant shall remove, at the expiration or sooner termination of this Lease, all telephone and computer equipment and all wiring and cabling placed or installed within the Premises or otherwise placed or installed within the Building for Tenant's use, including without limitation, any telephone or computer wires or cables and all connections and appurtenances thereto. If Landlord shall so require (notice of such requirement to be given by Landlord in writing to Tenant not less than twenty-five (25) days prior to the end of the Term), Tenant shall also remove all signs, trade fixtures and any other improvements erected or placed upon the Premises. The removal of all items required to be removed by Tenant hereunder shall be at Tenant's sole cost and expense. Removal of all wires and cables pursuant to this section shall be performed by a qualified contractor approved by Landlord in writing prior to such removal. Tenant shall repair all damage to the Premises caused by or resulting from such removal and leave the Premises in a clean and orderly condition. In the event

18.02, Landlord may do so and Tenant, upon demand, will pay to Landlord the costs thereof, plus interest as provided in Section 22.03 hereinbelow. This obligation shall survive the termination of this Lease. Any property left upon the Premises by Tenant at the termination of this Lease may, at the option of Landlord (a) be removed and stored by Landlord, at the cost of and for the account of Tenant, or (b) be deemed and declared by Landlord to have been abandoned by Tenant, in which case Landlord may appropriate, destroy, or dispose of the same without

Landlord's absolute discretion to accomplish such alterations or renovations.

(d) **Air Conditioning and Sprinkler Systems.** Notwithstanding any other provision herein to the contrary, the right to enter the Premises at all reasonable times to install, repair, replace, maintain, modify, or remove, at Landlord's sole discretion, any air conditioning or sprinkler systems, and all types of pipes, ducts, conduits and other facilities relating thereto which may now or hereafter pass through, above, or under the Premises. Landlord may enter the Premises on not less than three (3) days prior notice to Tenant and shall make reasonable efforts to conduct any such work so as to minimize interference with Tenant's business operations. Landlord may conduct any such work during the Normal Operating Hours of the Building or at times other than during the Normal Operating Hours of the Building, at its sole discretion. If, pursuant to Tenant's request, Landlord elects to conduct such work at times other than during the Normal Operating Hours of the Building, Tenant shall pay Landlord for the additional costs and expenses incurred by Landlord in conducting the work at such other times as additional rent.

(e) **Right to Lease.** Landlord shall have the exclusive right to lease, market and list spaces within the Building and the Project, including the Premises, on such terms and conditions as Landlord determines, in its sole and absolute discretion.

19.02 Performance of Lease Covenants. All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense. If Tenant shall fail to pay any sum of money other than rent required to be paid by Tenant hereunder, or shall fail to perform any other act on its part to be performed hereunder within the time period specified for such performance, or if no such time period is specified, then within fifteen (15) days after written notice thereof to Tenant, Landlord may, but shall not be obligated so to do, without waiving or releasing Tenant from any obligations of Tenant, and in addition to all other remedies provided herein, make any such payment and perform any other act on Tenant's part to be made or performed as provided in this Lease. All sums so paid by Landlord and all costs incidental thereto (including reasonable attorneys' fees), together with interest thereon at the rate provided in Section 22.03 hereinbelow, shall be payable by Tenant upon demand, and Tenant hereby covenants to pay any and all such sums.

19.03 Inspection of Premises. Tenant will permit Landlord and its agents, at all reasonable times during the Term of this Lease, to enter the Premises and examine the state of repair and condition thereof and to exercise all other rights of Landlord and perform all obligations of Landlord under this Lease as Landlord may deem necessary or desirable, without liability except for gross neglect or willful act of Landlord or Landlord's Affiliates with respect to Tenant's property. Within thirty (30) days after notice from Landlord or its agents to do so, Tenant shall repair and make good all defects which this Lease requires Tenant to repair and make good. Landlord and Landlord's employees, agents, brokers, mortgagees, potential buyers, janitors, workmen and engineers may retain and use a passkey to the Premises described herein to enable them to, and they may, inspect and examine the Premises with reference to any emergency or to the general maintenance of the Premises, or, during the last six (6) months of the Term, for the purpose of exhibiting the same. Landlord shall not be liable for the consequences of admitting or refusing to admit to the Premises by passkey Tenant or any of Tenant's Affiliates or other persons claiming the right of admittance. In the event, Tenant changes locks without consent or fails to supply Landlord with a key, Landlord shall have the right to use any means to gain access in an emergency, and any entry made by Landlord under any circumstances shall not be construed or deemed to be an unlawful entry, nor shall Landlord be liable to Tenant for any damage whatsoever resulting from the use of force in effecting entry.

19.04 Rules and Regulations. Landlord, for the proper maintenance, safety, order and cleanliness of the Building, and for the rendering of good services and the protection and the quiet enjoyment of tenants of the Building, may, on notice to Tenant, make, amend and enforce rules and regulations appropriate for such purposes.

The rules and regulations in force at the date hereof are those set forth in Exhibit C attached hereto. Tenant shall observe and comply with all such rules and regulations, including those set forth in Exhibit C, and all amendments thereto and all additional rules and regulations which may be promulgated by Landlord at any time during the term of this Lease of which Tenant receives notice which are not inconsistent with the terms of this Lease. Any failure to so observe and comply shall constitute a default under this Lease. Landlord shall not be liable or responsible to Tenant for the violation by any other tenant or occupant of the Building of such rules or regulations.

19.05 Exclusion of Trespassers. Landlord may exclude and restrain any person from the use or occupancy of the Building, the parking areas adjoining the Building, other common areas, and from the Project generally, except for bona fide business invitees and service-suppliers of Tenant and other tenants of Landlord (including, without limitation, the patrons of any food establishments in the Project) who make use of said areas in accordance with the rules and regulations established by Landlord with respect thereto. Landlord is hereby designated as Tenant's agent for determining who are such bona fide business invitees and service-suppliers. Landlord also is the agent of Tenant for the purpose of removing, and shall have the right to remove from the Project, or to restrain the use of any areas of the Project by, any person who is not specifically authorized by Landlord, by Tenant, or by other Project tenants to use said areas or who is not making use of said areas in accordance with the rules and regulations promulgated by Landlord. If, in the opinion of Landlord, unauthorized persons are using any of said areas by reason of the presence of Tenant or any of Tenant's Affiliates in the Premises or in the Project, Tenant, upon demand of Landlord, shall enforce such rights against all such unauthorized persons by appropriate proceedings. Nothing contained herein shall affect the rights of Landlord at any time to remove any unauthorized persons from said areas or to restrain the use of any of said areas by unauthorized persons.

19.06 Use of Common Areas. The rights, if any, of Tenant hereunder in and to the parking areas, parking spaces, driveways, entrances, exits, sidewalks, pedestrian passageways and other common areas of the Building and the Project shall be subject to the rights of Landlord and of all other Building and Project tenants using the same, in common with Tenant, and it shall be the duty of Tenant to keep all of said areas free and clear of any obstructions created or permitted by Tenant or any of Tenant's Affiliates or resulting from Tenant's operations and to permit the use of any of said areas only for normal ingress and egress by Tenant's bona fide business invitees and service-suppliers to and from the Premises.

19.07 Substitution of Leased Premises. Landlord shall have the right, at its option, to substitute as the Premises to be leased hereunder, a substantially equivalent area in a different portion of the Building or the Project, in lieu of the Premises described and referred to in Specific Provisions 1.01(a) through (d), and in such cases Tenant shall relocate to such substitute Premises, and all of the terms, covenants and conditions herein set forth shall then apply to such substitute Premises and to any subsequent substitute Premises to the same effect as if originally described hereinabove; provided, however, that Landlord shall have given Tenant written notice of its exercise of such option at least ninety (90) days prior to the date upon which relocation to such substitute Premises is to be accomplished, and all costs of such relocation shall be borne by Landlord, including Tenant's reasonable out-of-pocket costs of relocation and of replacing any fixtures or other improvements installed within the original Premises by Tenant after crediting the salvage value of any fixtures or other removable property removed by Tenant from the old Premises. Such reimbursement shall occur upon presentation by Tenant to Landlord of invoices for such expenses containing a detailed description thereof and indicating payment therefor. It is further understood that the term "equivalent area" shall mean the Usable Area of the substitute Premises if not

more than ten percent (10%) larger or smaller than the Usable Area of the original Premises. Tenant shall be entitled to a ratable reduction in Monthly Base Rent for any period in excess of one (1) day but in no event longer than thirty (30) days during which Tenant is reasonably prevented from operating its business on account of such relocation. Upon Landlord's request, Tenant shall immediately execute an appropriate amendment to this Lease reflecting any such substitution. Landlord shall in no event be liable for loss of profits, loss of goodwill, or any other consequential damages which may be sustained by Tenant as a result of such relocation.

19.08 Change of Project Name, Building Name, or Tenant's Suite Number. Landlord may, in its sole judgment and without liability of any kind to Tenant, change the name or address of the Project or the Building or the suite number by which the Premises is designated, at any time and in any manner Landlord desires, provided, however, Landlord shall give Tenant sixty (60) days prior written notice of any such change.

19.09 Waiver. Landlord's failure to assert any default or breach of covenant on the part of Tenant shall not be construed as a waiver thereof, nor shall any custom or practice which may grow up between Landlord and Tenant in the course of administering this Lease be construed to waive or to lessen the right of Landlord to insist upon the performance by Tenant of any term, covenant, or condition hereof, or to waive or lessen the right of Landlord to exercise any rights given Landlord on account of any such default. A waiver by Landlord of a particular breach or default shall not be deemed to be a waiver of the same or any other subsequent breach or default. The acceptance of rent or any other sum due hereunder shall not be, or be construed to be, a waiver of any breach of any term, covenant, or condition of this Lease, whether or not Landlord has knowledge of such breach at the time of such acceptance. No endorsement or statement on any check or of any letter or writing accompanying a check or payment as rent shall be deemed to be an accord and satisfaction and Landlord may accept such check or payment without prejudice to its right to recover any deficiencies.

ARTICLE XX

LANDLORD'S LIABILITY

20.01 Landlord's Failure to Perform. Landlord shall not be deemed to be in default in the performance of any obligation required by it under this Lease unless and until it has failed to perform such obligation within thirty (30) days after written notice by Tenant to Landlord, specifying wherein Landlord has failed to perform such obligation; provided that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, Landlord shall not be in default if Landlord commences to cure the default within such thirty (30) day period and thereafter diligently prosecutes the same to completion. No such failure by Landlord shall constitute grounds for canceling this Lease.

20.02 Sale or Assignment by Landlord. The term "Landlord" as used in this Lease shall mean and include only the owner or owners at the time in question of the Building or the Project of which the Premises are a part, and their successors or assigns. Each Landlord shall be automatically freed and relieved from all liability respecting the performance of any covenants or obligations on the part of Landlord contained in this Lease upon a

interest of Landlord in the Building. Tenant shall have no right to proceed against or recover any deficiency from any trustee or partner of Landlord, individually or collectively, or Landlord's Affiliates.

ARTICLE XXI
WAIVER OF JURY TRIAL

21.01 Waiver of Jury Trial. The parties hereto shall and they hereby do waive trial by jury in any action, proceeding, or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, and/or any claim of injury or damage.

ARTICLE XXII
MISCELLANEOUS

22.01 Force Majeure. Unless otherwise specifically provided herein, if either party shall be delayed or hindered in or prevented from the performance of any act required of such party hereunder by reason of strikes, lockouts, labor disputes or disturbances, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, or any other reason of a like nature beyond such party's reasonable control, then performance of such act shall be excused for the period of the delay, and the period for the performance of such act shall be extended for a period equivalent to the period of such delay. The provisions of this section shall in no event operate to excuse Tenant from the prompt payment of rent or any other payments required by the terms of this Lease or from the abatement of any nuisance.

22.02 Landlord's Lien. As additional security to Landlord for payment of rent and any other charges under this Lease and for the performance of all the terms and conditions of this Lease, Tenant hereby gives and grants a first lien and charge upon the leasehold estate granted to Tenant hereunder, and upon all fixtures, improvements, equipment, furniture and appurtenances placed in or upon the Premises by Tenant; and upon all goods, wares, merchandise, trade fixtures and equipment placed in or upon the Premises in the course of Tenant's use of the Premises, provided, however, that this lien shall not impair or affect Tenant's right to dispose of such stock in trade in Tenant's ordinary course of business and this lien shall not invalidate or subordinate any vendor's lien or purchase money security interest which is both properly perfected by the filing of a financing statement and perfected prior to the time such property is placed in or on the Premises. Tenant shall execute all necessary documents or filings to enable Landlord to perfect its said lien.

22.03 Interest. Tenant shall be responsible for and shall pay Landlord, as additional rent, interest on all rent, additional rent and other sums past due from Tenant to Landlord, other than late charges, at the maximum rate allowed by law from the due date to and including the date of payment, and if there is no maximum rate allowed by law, then at the rate of one and one-half percent (1.5%) per month. Tenant's obligation to pay interest on amounts due Landlord in accordance with the terms of this Lease shall continue subsequent to its termination and shall cease only upon payment in full of all said amounts and accrued interest. Payment of late charges or interest shall not relieve Tenant of liability for payment of the principal sums due nor delay Landlord's right to pursue any remedies for failure to make timely payment of the principal sums.

22.04 Costs and Attorneys' Fees. In the event of any action or proceeding brought by either party hereto against the other based upon or arising out of any breach of the terms and conditions hereof, the prevailing party shall be entitled to recover all costs, including reasonable attorneys' fees, from the other. Tenant also agrees

to pay all costs and reasonable attorneys' fees which may be incurred or paid by Landlord in enforcing this Lease, with or without litigation, to the full extent allowable by law, and all such amounts shall be deemed additional rent payable upon demand.

22.05 No Interest in Air Space or Light or Air Easement. Nothing herein shall be construed as creating or transferring to Tenant any interest in the land upon which the Building or the Project is located or any interest in the air space above the Premises, the Building, or the Project. Any diminution or shutting off of light or air by any structure which may be on lands adjacent to or in the vicinity of the Building or the Project shall in no way affect this Lease, abate rent, or otherwise impose any liability on Landlord.

22.06 Time is of the Essence. Time is of the essence of this Lease.

22.07 Submission of Lease. This Lease is submitted to Tenant by Landlord for purposes of review only. The submission of this Lease to Tenant does not constitute an offer or an option to lease and confers no rights on Tenant and imposes no obligations on Landlord. The execution of this Lease by Tenant and the delivery thereof to Landlord shall constitute an offer by Tenant to lease the Premises on the terms and conditions set forth herein. Landlord shall not be deemed to have accepted such offer until and unless a duly authorized representative of Landlord shall have executed this Lease and a duplicate original hereof shall have been delivered to Tenant.

22.08 Notice. All notices hereunder shall be given in writing and may be given or served for all purposes by being (a) sent by mail, postage prepaid, addressed to Tenant at its post office address hereinabove set forth or any such other post office address as Tenant may designate in writing by notice to Landlord, or to Landlord at its address set forth in Specific Provision 1.01(m) of this Lease or at any such other address or addresses as Landlord may designate to Tenant, or (b) delivered personally to Tenant (if Tenant is an individual), to a partner of Tenant (if Tenant is a partnership), or to an officer or director of Tenant (if Tenant is a corporation). Any such notice shall be deemed conclusively to have been given or served, two (2) days after the date of such mailing, or upon the date of such personal delivery. If there is more than one Tenant, mailing or personal service to any one thereof shall be construed as notice to all Tenants.

22.09 Reimbursement of Landlord's Processing Costs. Except as is otherwise provided herein, Tenant shall reimburse Landlord, as additional rent, for all reasonable and actual costs and expenses (including attorneys', architect's and other professional fees) incurred by Landlord in processing all consents and approvals requested of Landlord including, but not limited to, the preparation and review of all documents, plans, or specifications in connection therewith. The amounts of such costs and expenses shall be payable to Landlord on demand and, if not paid, shall carry interest as above provided in this Lease. Failure to pay such amounts shall also constitute a default under this Lease entitling Landlord to exercise its rights upon default by Tenant.

22.10 Severability. If for any reason whatever any of the provisions hereof shall be unenforceable or ineffective, all of the other provisions shall be and remain in full force and effect.

22.11 Entire Agreement. The provisions of this Lease constitute, and are intended to constitute, the entire agreement of Landlord and Tenant. No terms, conditions, warranties, promises, or undertakings of any nature whatever, express or implied, exist between Landlord and Tenant except as herein expressly set forth. This Lease may not be modified except by a written instrument signed by both parties.

22.12 Successors. Except as otherwise provided in Section 20.02 hereinabove, all of the covenants, agreements, terms and conditions contained in this Lease shall apply to, accrue to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, permitted successors and permitted assigns.

22.13 Joint and Several Obligations. In any case where this Lease is signed by, on behalf of, or for the benefit of, more than one person, the obligations hereunder shall be joint and several.

22.14 Choice of Law. This Lease shall be governed by and construed in accordance with the laws of the State of Hawaii.

22.15 Compliance with Executive Order of September 24, 2001. Tenant warrants and represents to Landlord that Tenant is not, and shall not become, a person or entity with whom Landlord is restricted from doing business with under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including, but not limited to, those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including, but not limited to, the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and shall not engage in any dealings or transaction or be otherwise associated with such persons or entities.

22.16 Article and Section Headings. The article and section headings herein are for convenience of reference and shall in no way define, limit, or describe the scope or intent of any provisions of this Lease.

22.17 Short-Form Counterpart. This lease shall not be recorded, but a recordable short-form of this lease sufficient to give constructive notice of the leasehold estate hereby created may be filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, and/or the Bureau of Conveyances, State of Hawaii. Tenant shall be solely responsible for any conveyance tax payable to the State of Hawaii pursuant to Section 247, Hawaii Revised Statutes, as amended, which may be incurred by Landlord under this lease. If a short-form counterpart of this lease is recorded, Tenant agrees, at Tenant's expense, once the lease is terminated, to execute a recordable instrument evidencing such termination.

22.18 Consent of Parties. Except as otherwise in this Lease expressly provided, whenever consent or approval of either Landlord or Tenant is required hereunder, that party shall not unreasonably withhold such consent or approval.

22.19 Cancellation Not Merger. No cancellation, surrender, or termination of this Lease, whether voluntary, involuntary, by operation of law, or otherwise, shall work a merger but shall, at Landlord's option, terminate all existing sublease or sub-tenancies hereunder or operate as an assignment of the same.

22.20 General. The term "Landlord" in this Lease shall include the above-named Landlord and its successors and assigns. The term "Tenant" or any pronoun used in place thereof shall indicate and include the masculine or feminine, the singular or plural number, individuals, firms, or corporations, and their and each of their respective successors, personal representatives and permitted assigns, according to the context hereof.

**EXHIBIT C
RULES AND REGULATIONS**

Management Office	545-7500
Operations Manager	544-0166
Maintenance Office	544-0166
Security Office	544-0177
Parking Office	536-8182

The following Rules and Regulations have been adopted for the purpose of maintaining order and safety at Bishop Square (all areas of which are hereinafter collectively referred to as the "Building"). Landlord reserves the right to amend, supplement, or rescind any of these Rules and Regulations from time to time. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular Tenant or Tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other Tenant or Tenants, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the Tenants of the Building. These Rules and Regulations (including any amendments, supplements or modifications thereto which may be made by Landlord after the commencement of Tenant's lease) are in addition to, and shall not be construed in any way to modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of any premises in the Building.

1. Common Areas

a. The sidewalks, mall entrances, passages, courts, elevators, vestibules, stairways, corridors or halls shall not be obstructed or used for any purpose other than ingress or egress.

b. The halls, passages, entrances, elevators, and stairways are not for the use of the general public, provided that persons with whom Tenant normally deals in the ordinary course of business shall have a revocable

c. All external common areas forming a part of the Building, including the parking ramps and parking areas, pedestrian walkways, mall, plaza, and park shall be under the sole and absolute control of Landlord. Without limiting the generality of the foregoing, Landlord may from time to time temporarily obstruct, barricade or otherwise prevent the public from using any pedestrian walkway, mall, plaza, park or other common areas in the Building to prevent the public from acquiring any prescriptive rights to use any common areas in the Building, and Tenant agrees that Landlord will not be liable to Tenant for any loss of business or any other damages Tenant may sustain as a result of such action by Landlord.

d. Tenant may not enter the mechanical rooms, air handler rooms, electrical closets, janitorial closets, or go upon the roof of the Building under any circumstances without the prior consent of Landlord's Operations Manager.

c. Tenant shall provide Landlord with a current written list of all persons who are authorized by Tenant

**BISHOP SQUARE
RULES AND REGULATIONS**

a. Air conditioning will be provided from 7:00 a.m. to 6:00 p.m. weekdays (which are not Building Holidays), and from 7:00 a.m. to 1:00 p.m. Saturdays. On all other days and times, the Building will be secured and no air conditioning will be provided.

b. If Tenant requests that Landlord provide air conditioning in Tenant's premises at times other than the days and hours specified above, and if Landlord in its sole discretion grants Tenant's request, Landlord will assess Tenant a reasonable charge for the supply of such air conditioning.

c. No Tenant shall tamper with or alter the standard Building air-conditioning or install any special wiring or electrical equipment without the prior written approval of the Landlord's Operations Manager, which approval may be granted or withheld in the sole and absolute discretion of Landlord's Operations Manager.

4. Awnings, Projections and Window Coverings. No awnings or other projections shall be attached to the outside walls of the Building and no window shades, blinds, drapes or other window coverings shall be hung in Tenant's premises without the prior written consent of Landlord.

5. Electrical Ceiling Fixtures. Except as otherwise specifically approved by Landlord, all electrical ceiling fixtures hung in offices or spaces along the perimeter of the Building must be fluorescent, and of a quality, type, number, design and bulb color approved by Landlord. If Tenant uses lighting fixtures not consistent with other rules and regulations, Landlord may require Tenant to replace the fixtures at Tenant's expense.

10. **Prohibited Uses.** No part of the Building, including any Tenant's premises, may be used for any

**BISHOP SQUARE
RULES AND REGULATIONS**

provided and installed only by Landlord. Landlord will charge, and Tenant shall pay, a reasonable charge for the keys for such locks and bolts. No other or additional locks or bolts of any kind will be installed on any of the doors or windows by any Tenant, nor shall any Tenant make any change in existing locks or bolts. Each Tenant must, upon termination of its tenancy, give Landlord the combination to all combination locks or safes, safe cabinets and vaults left in Tenant's premises, and shall return to Landlord all keys to stores, offices and toilet rooms, either furnished to, or otherwise procured by such Tenant, and in the event of loss of any key so furnished. Tenant understands that Building janitors and personnel will be provided with passkeys to all Tenant premises in the Building.

14. Office Equipment. All office and telephone equipment and other electrical and mechanical devices shall be placed by Tenant in its premises in locations approved by Landlord to absorb or prevent any vibration, noise or annoyance. Landlord will direct electricians as to where and how telephone and telecommunication wires are to be introduced. No boring or cutting for wires or stringing of wires will be allowed without the prior written consent of Landlord's Operations Manager, and then only as Landlord's Operations Manager may direct.

15. Maintenance Requests. All requests for services by Tenant shall be made to Landlord's Maintenance Department only. No employee of Landlord, unless authorized, shall perform any work or service for any Tenant or admit any person into any locked portion of the Building except under the specific instructions of Landlord's Operations Manager.

16. Repairs, Alterations and Improvements. Any work to be done in order to repair or maintain Tenant's premises, or to alter, improve, or add to Tenant's space shall be done by employees or contractors employed or approved by Landlord. No person or contractor not approved by Landlord shall be used to perform window washing, cleaning, decorating, repair or any other work in any Tenant's premises without the prior written consent of Landlord.

Tenant shall not permit any contractor or other person making any alterations, additions or installations within Tenant's premises, to use the hallways, lobby or corridors as storage or work areas, without the written consent of Landlord first obtained and Tenant shall be liable for and pay the expense of any additional cleaning costs resulting from the transportation or storage of materials and/or work performed within the Building.

17. Name and Address of Building. Landlord will have the right, exercisable without liability to Tenant, to change the name and the street address of the Building.

18. Trash. Each Tenant shall store all his trash within the interior of Tenant's premises until removal of the same. No material shall be placed in trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the City of Honolulu without being in violation of any law, ordinance, or regulation governing such disposal. Tenant's premises shall at all times be kept in a clean and sanitary condition. All Tenant construction debris shall be removed from Tenant's premises and from the Building by Tenant, its employees or its contractors.

19. Good Standing. Any Tenant who shall be engaged in any trade, occupation or profession which is regulated by the City and County, State or Federal government or which is self policing, shall at all times during the term of this lease or any extension hereof, be and remain in good standing with such regulatory or self-policing body, and in the event such Tenant is not in good standing, Tenant shall cease to conduct business in Tenant's premises until Tenant is in good standing.

20. Delivery and Moving of Bulky Items.

**BISHOP SQUARE
RULES AND REGULATIONS**

a. The transportation of any bulky items in any common areas may be performed by Tenant only in the manner and at the times approved by Landlord. Tenant shall call Landlord's Maintenance Office to obtain approval for the transportation of any bulky items in any common areas, and Landlord's Maintenance Office will designate the manner and times in which Tenant may transport such bulky items. "Bulky item" shall mean any item having such weight or volume that it cannot be transported by hand by one person.

b. Without limiting the generality of the foregoing, Tenant shall instruct any person delivering any bulky item to Tenant to proceed first to the basement of the Building and to sign in at the Building's loading dock.

c. Landlord reserves the right to inspect and to supervise the transportation of any bulky items and to exclude from the Building all bulky items that Landlord deems inappropriate or detrimental to the Building. Landlord reserves the right to prohibit or impose conditions upon the transportation or installation in Tenant's premises of bulky items which might overload the Building floors.

d. Notwithstanding anything to the contrary contained herein, no bulky item exceeding the rated capacity of any of the Building's elevators shall be brought into the Building, and Tenant shall be responsible for ascertaining the rated capacity of the elevators before bringing any bulky item into the Building. If Tenant requires the use of the Building's elevators to transport any bulky items, Tenant shall first obtain Landlord's approval to reserve the use of such elevator, provided that Landlord's approval of Tenant's reservation of such elevator shall not confer upon Tenant any exclusive right to use such elevator, and other Tenants and their licensees and invitees may be permitted to use such reserved elevator depending on their needs as determined by Landlord.

e. Any damage caused to the Building by Tenant in delivering to or moving any item from the Building will be repaired by Landlord at Tenant's expense. Tenant shall be solely responsible for providing security during all moving operations, and shall be liable for all losses and damages sustained by any party, including Landlord, resulting from its moving operations.

21. **Outside Services.** No Tenant shall purchase or otherwise obtain for use in Tenant's premises water, ice, towel, vending machines, or other like services or purchases or otherwise obtain janitorial, maintenance or other like services, except from persons authorized by Landlord, and at hours and under regulations established by Landlord.

22. **Temporary Absence.** Tenant shall not leave its premises unoccupied for more than thirty (30) days. Tenant shall inform Landlord in writing before Tenant leaves its premises unoccupied for any period of more than seven (7) days.
~~negative days~~

23. **Entry by Landlord.** Landlord reserves the right to enter Tenant's premises at any time to ascertain that all utilities are turned off when Tenant has left its premises, to investigate any fire alarm or fire sensor, or to investigate any activity or occurrence in or about Tenant's premises which might constitute a threat to the safety or welfare of the Building or any other occupant of the Building.

24. **Landlord not Responsible for Tenant Violations.** Landlord will not be responsible to any Tenant for the nonobservance or violation of any of the Building Rules and Regulations by any other Tenant or person. Tenant shall see that its employees, invitees and licensees comply with the Building Rules and Regulations.

25. **Tenant's Conduct.** Tenant shall otherwise conduct itself and its activities at all times in a manner which is consistent with the use permitted under Tenant's lease and with the general character of the Building as a first quality office building.

**BISHOP SQUARE
RULES AND REGULATIONS**

EXHIBIT D

BISHOP SQUARE TENANT WORK LETTER AGREEMENT

[For new tenant]

On this 9th day of December, 2004, the undersigned, Landlord and Tenant, are executing this Work Letter Agreement ("Work Letter") covering certain Premises on the 5th floor(s), Suite number(s) 500, (the "Premises") of the Pauahi Tower (the "Building") at Bishop Square, 1001 Bishop Street, Honolulu, Hawaii 96813, as described in that certain Lease between Landlord and Tenant dated December 9, 2004.

This Work Letter shall be deemed a part of said Lease and any extensions, renewals, or amendments thereof (collectively the "Lease"), and shall be attached as Exhibit "D" to the Lease. The terms of this Work Letter shall be incorporated into the Lease by reference, and the terms of the Lease shall be incorporated into this Work Letter. All terms defined in the Lease and not otherwise defined in this Work Letter shall have the meanings defined for them in the Lease. This Work Letter is intended to supplement the Tenant's obligations under the Lease. In the event of any conflict between the terms of this Work Letter and the terms of the Lease with regard to the matters set forth herein, the terms of this Work Letter shall govern.

Landlord and Tenant covenant and agree to the Specific Provisions set forth herein and to the General Provisions attached hereto and incorporated herein by reference:

SPECIFIC PROVISIONS

The following constitute the Specific Provisions and are referred to in this Work Letter:

- (a) Improvement Allowance as specified in paragraph 5.a. of the General Provisions:

\$794,600.00

- (b) Tenant's Representative as specified in paragraph 10 of the General Provisions:

Cheryl Fujiwara or Wendy Nakano

Landlord's Representative as specified in paragraph 8 of the General Provisions:

Gary Evora

- (c) The following Schedules are attached hereto and incorporated herein by reference:

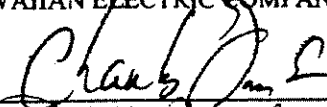
Schedule 1:	Tenant Information and Space Plan.
Schedule 2:	Standards of Construction.
Schedule 3:	Terms for Construction by Tenant.

The undersigned Landlord and Tenant have executed this Work Letter as of the date set forth above.

BISHOP SQUARE ASSOCIATES
By COMMONWEALTH PARTNERS
MANAGEMENT SERVICES, L.P.

HAWAIIAN ELECTRIC COMPANY, INC.

By


Its CHARLES M. FRIEDMAN

VICE PRESIDENT

GENERAL PROVISIONS

1. The Improvements. This Work Letter relates to and governs the design and construction of certain improvements to be made to the Premises described in the Space Plan attached as Schedule 1 hereto (the "Improvements"). For purposes of this Work Letter, the term Improvements shall include furniture, fixtures and equipment (including but not limited to built-in furniture, wiring and air conditioning equipment).

2. Design and Construction. Unless Tenant elects to select the architects, engineers and/or contractors who are to design and construct the Improvements pursuant to Paragraph 4 hereof, the Improvements shall be designed by architects and engineers selected and engaged by Landlord and shall be constructed by contractors selected and engaged by Landlord.

3. Schedule for Design and Construction.

a. On the basis of the information which Tenant has provided as set forth in Schedule 1 hereto (the "Tenant Information"), Landlord's space planners and/or architects have prepared the Space Plan set forth in Schedule 1 hereto (the "Space Plan") describing the Improvements and have made a preliminary non-binding estimate of the cost of the Improvements ("Estimated Construction Cost"). Tenant has reviewed and approved and does hereby approve the Tenant Information, the Space Plan and the Estimated Construction Cost. Following execution of this Work Letter, Tenant may not modify the Tenant Information or Space Plan attached as Schedule 1 hereto without Landlord's written agreement.

b. Upon execution of this Work Letter, Landlord shall cause Landlord's architects to prepare (i) working drawings and specifications for the Improvements described in the Tenant Information and Space Plan attached as Schedule 1 hereto ("Working Drawings"), and (ii) a cost proposal based on accrued and estimated architectural and engineering fees, contract bids or estimates of licensed contractors for the costs of construction and building materials, and all other costs incurred, and anticipated for the design and construction of the Improvements ("Cost Proposal"), to be submitted to Tenant for approval pursuant to this Work Letter.

c. Tenant shall approve or disapprove of the Working Drawings and Cost Proposal in writing within five (5) working days after Tenant's receipt thereof. Any written notice of disapproval by Tenant to Landlord shall include the specific reasons for such disapproval. If Tenant fails to give written notice of its approval or disapproval of the Working Drawings or Cost Proposal within said 5-day period, the Working Drawings or Cost Proposal shall be deemed approved by Tenant.

d. Tenant shall not be entitled to disapprove the Working Drawings or Cost Proposal

Paragraph 3 until the Working Drawings and Cost Proposal are approved, and Tenant agrees to use its best good faith efforts to reach agreement on the revisions to the Working Drawings or Cost Proposal with Landlord so as to avoid any unreasonable delay in the completion of the Improvements.

i. If Tenant reasonably disapproves the Working Drawings or Cost Proposal pursuant to Paragraph 3.c. hereof, Tenant shall have the option to select its own architects, engineers and contractors for the design and construction of the Improvements pursuant to Paragraph 4 hereof. In that event, Tenant shall enter into its own contracts directly with such architects, engineers and contractors and the provisions of Schedule 3 hereto shall thereupon govern the design and construction of the Improvements.

j. Upon approval of the Working Drawings and Cost Proposal pursuant to this Paragraph 3, Landlord shall select, engage and cause its contractors to apply for necessary permits and when such permits are obtained to proceed with construction of the Improvements in accordance with the Working Drawings and Cost Proposal.

4. Tenant's Election to Construct. If Tenant desires to select and engage its own architects, engineers and contractors to complete the design and construction of the Improvements, it shall give Landlord written notice of its election to do so. If Tenant so elects, all costs which Landlord has incurred in the design and construction of the Improvements through the date of such notice shall be deducted from the Improvement Allowance, and Tenant may proceed to complete the design and construction of the Improvements by its own architects, engineers and contractors pursuant to the terms and conditions set forth in Schedule 3 hereto. If such costs exceed the amount of the Improvement Allowance, Landlord shall so notify Tenant in writing and Tenant shall pay Landlord the amount of said excess within five (5) working days after such notice.

5. Payment of Costs.

a. Improvement Allowance. Subject to forfeiture as set forth in Paragraph 5.f below, Landlord shall provide a one-time Improvement Allowance in the amount specified in Paragraph (a) of the Specific Provisions hereof, to be applied toward the costs of design and construction of the Improvements. Landlord shall be entitled to deduct all costs paid or incurred by Landlord for the design and construction of the Improvements, including without limitation all costs incurred prior to execution of this Work Letter, all costs described in this Paragraph 5, and all sums otherwise due or accruing from Tenant to Landlord under this Work Letter, the Lease or otherwise, from the amount of the Improvement Allowance.

b. Costs Exceeding Allowance. Tenant shall pay the excess of the costs of design and construction of the Improvements over the Improvement Allowance, as computed by Landlord, within five (5) working days after written notice from Landlord to Tenant following substantial completion of the Improvements pursuant to this Work Letter.

c. Costs for Change Orders. Changes requested by Tenant in the design or construction of the Improvements after Landlord has entered into a construction contract for them shall be subject to approval by Landlord and/or Landlord's architects, engineers and contractors. Tenant shall pay all additional costs required by any such changes, Landlord shall have the right to demand the whole or any part of such additional costs prior to, during, or after commencement of construction, or upon final computation of such costs, upon written notice to Tenant. Tenant shall pay Landlord any amount so demanded within five (5) working days after such notice.

d. Administrative Costs. If Tenant elects to select and engage its own architects, engineers and/or contractors pursuant to Paragraph 4 hereof, Tenant shall pay the excess of the administrative costs due and accruing under Schedule 3 hereto over the Improvement Allowance. Landlord shall have the right to demand the whole or any part of any such excess prior to, during, or after the commencement of construction, or upon final computation of such costs, upon written notice to Tenant. Tenant shall pay Landlord any amount so demanded within five (5) working days after such notice.

e. Failure to Pay Costs. If Tenant fails to pay any amount due from Tenant to Landlord under the terms of this Work Letter, Tenant shall be in default of this Work Letter and the Lease, and Landlord shall be entitled to recover the amount due under this Work Letter plus interest of eighteen percent (18%) per annum from and after the date on which construction of the Improvements commenced, together with all attorneys' fees and costs incurred by Landlord, and to exercise all other remedies provided to Landlord under the Lease. At Landlord's

option, upon any such default by Tenant, Landlord may terminate all pending design or construction activities for or in connection with the Improvements without notice to Tenant.

f. Forfeiture of Unused Improvement Allowance. Notwithstanding anything to the contrary in this Work Letter, Tenant's entitlement to the Improvement Allowance shall terminate on the date that is six (6) months following the date of this Work Letter. On the date of such termination (a) Landlord shall credit one-half (1/2) of any unused balance of the Improvement Allowance as of such date against rent and additions to rent due and accruing under the Lease; and (b) the other one-half (1/2) of any unused balance of the Improvement Allowance as of such date shall be forfeited by Tenant. Any costs and expenses incurred in respect of the completion of the Improvements by Landlord or Tenant from and after the date of such forfeiture shall be the sole responsibility of Tenant, and Tenant hereby agrees to indemnify, defend and save harmless Landlord and Landlord's Affiliates from and against any and all such costs and expenses and any claims related thereto.

WHEREFORE, Tenant hereby agrees to the terms and conditions contained herein. Tenant

(8) The failure of Tenant or its employees, agents or contractors to comply with the terms of this Work Letter or with requests by Landlord or Landlord's architects, engineers or contractors pursuant to this Work Letter; and

(9) Any other act or omission of Tenant, or its employees or agents.

7. Access by Tenant during Construction.

a. Pre-Occupancy Construction. Where construction of Improvements commences prior to Tenant's occupancy of the Premises, Tenant shall not have occupancy of the Premises during construction of the Improvements. Landlord shall permit Tenant and Tenant's agents to enter the Premises prior to Tenant's occupancy under the Lease to permit Tenant to do such work as Tenant shall be permitted to do under this Work Letter in order to make the Premises ready for Tenant's occupancy; provided, however, that Tenant and Tenant's agents shall not interfere with or interrupt Landlord and Landlord's agents from working in the Premises. Any entry into the Premises by Tenant or Tenant's agents prior to Tenant's occupancy shall be deemed to be under all of the terms,

commences and occurs after Tenant has taken occupancy of the Premises, even if Tenant's occupancy of the Premises is otherwise delayed.

c. For purposes of this Work Letter, the date of "substantial completion" shall be determined by the Landlord's architects, and the term "substantial completion" shall mean complete except for omissions or defects which do not materially interfere with or prevent Tenant from occupying the Premises.

d. Notwithstanding anything to the contrary contained herein, if the number of days of Tenant Delay exceed the number of days of delay by Landlord, if any, the Premises shall be deemed ready for occupancy and Tenant's obligation to pay rent shall commence or resume on the date determined by subtracting the number of days by which Tenant's delay exceeds Landlord's delay from the date on which rent would otherwise have commenced. If the number of days of delay by Landlord exceed the number of days of delay by Tenant, the Premises shall be deemed ready for occupancy and Tenant's obligation to pay rent shall commence or resume on the date determined by adding the number of days by which Landlord's delay exceeds Tenant's delay to the date on which rent would otherwise have commenced. In the case of any delay caused by Landlord or its agents, Tenant shall not have any claim other than for abatement of rent in the period of delay, and Tenant shall have no claim against Landlord or Landlord's agents for consequential damages, including but not limited to damages for loss of income or profits.

e. Notwithstanding anything to the contrary contained herein, if Tenant elects to select its own architects, engineers or contractors for the design and construction of the Improvements pursuant to Paragraph 4 hereof, Landlord shall not be responsible for any delay in the design or construction of the Improvements, and Tenant's obligation to pay rent shall commence or resume without delay on the date specified in the Lease in the case of construction occurring prior to Tenant's occupancy of the Premises, or on the date that Landlord has agreed that the construction will be completed in the case of construction which commences and occurs after Tenant has taken occupancy of the Premises, even if Tenant's occupancy of the Premises is delayed.

9. Tenant's Default Under the Lease. Notwithstanding anything to the contrary contained in this Work Letter, if an event of default under the Lease or this Work Letter, has occurred at any time on or before the substantial completion of the Improvements, then, in addition to all other rights and remedies granted to Landlord pursuant to the Lease and this Work Letter, Landlord shall have the right to withhold payment of all or any portion of the Improvement Allowance and/or Landlord may cause Landlord's architects and contractors to cease the construction of the Improvement (in which case, Tenant shall be responsible for any delay in the substantial completion of the Improvements as set forth in Paragraph 6.b above).

10. Representatives. Landlord hereby appoints Landlord's Representative to act for Landlord in all matters covered by this Work Letter. Tenant hereby appoints Tenant's Representative to act for Tenant in all matters covered by this Work Letter. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Work Letter shall be made and addressed to Landlord's Representative or Tenant's Representative, as the case may be. Tenant shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord's architects, engineers and contractors, or any of their agents or employees, with regard to matters covered by this Work Letter. Either party may change its Representative under this Work Letter by three (3) days' prior written notice to the other party.

SCHEDULE 1

TO BISHOP SQUARE TENANT WORK LETTER AGREEMENT
(Reserved for "Space Plan")

SCHEDULE 2

TO BISHOP SQUARE TENANT WORK LETTER AGREEMENT

STANDARDS OF CONSTRUCTION
(PAUHI TOWER)

1. Air Conditioning (HVAC): A VAV system utilizing Trane Model VCCE boxes with balancing dampers and 6 inch outlets to suit normal general office space occupancy. Each room is divided into thermostatically controlled zones, the areas of which will be dictated by specific layout requirements. (Any special zones, additional zones or exhausts that are required for areas such as conference rooms or computer rooms, reproduction or other areas with heat generating equipment can be installed, but any such modification shall be Building Non-Standard Work at the sole cost and expense of Tenant.)
2. Ceilings: Suspended, 2' x 4' , "t-bar" lay-in modular acoustical ceiling system, at eight (8) feet four (4) inches above floor line throughout the office usable area, complete.
3. Partition System: Floor to ceiling with 5/8-inch thick gypsum board on 2-inch metal studs at twenty-four (24) inches on center, finished with two (2) coats monochrome eggshell latex paint and 2-inch resilient top set carpet base of standard color. (Additional Building Non-Standard Work for Partitions of special construction or with other finishes shall be at the sole cost and expense of Tenant.)
4. Doors, Frames and Hardware: Solid core wood doors, door frames and hardware, including lock sets and door closers on all public corridor and entrance doors, latch sets on all interior office doors, four (4) hinges and door stops on all doors. All wood doors and frames shall be sealed and receive two (2) coats satin polyurethane finish and all steel frames shall receive primer and one (1) coat enamel finish.
5. Lighting: Building Standard 2' x 4' Columbia fluorescent lighting fixtures, recessed, 18 cell, air handling with vanes and dampers, semi-specular low iridescent, 3 lamp, electronic ballast as indicated on the drawings and occupancy sensors in lieu of light switches where feasible. (Lighting and controls for other than Building Standard 2' x 4' fluorescent lighting fixtures shall be at the sole cost and expense of Tenant.)
6. Electric Outlets: Building Standard duplex 110 volt electric convenience wall outlets. (Floor outlets, special outlets, dedicated circuitry, heavy duty 120 volt outlets, and outlets at other than 120 volts shall be at the sole cost and expense of Tenant.)
7. Telephone Outlets: Building Standard telephone wall outlets, including conduit run as directly as practicable to a point above the suspended acoustical ceiling only. (Other communications outlets, conduits over 3/4-inch size, and horizontal conduit runs shall be at the sole cost and expense of Tenant. All exposed communications wiring above the ceiling shall conform to applicable codes and regulations, including NEC 800-3(d).)
8. Floor Covering: Building Standard carpeting, pad and installation directly onto the concrete substrate throughout the Tenant space. (Non-Standard carpeting, resilient tile, ceramic tile or other flooring shall be at the sole cost and expense of Tenant and can be a covered cost under Tenant's improvement allowance.)
9. Window Covering: Building Standard 1-inch mushroom color mini-blinds on all exterior office windows.

SCHEDULE 3
TO BISHOP SQUARE TENANT WORK LETTER AGREEMENT
TERMS FOR CONSTRUCTION BY TENANT

I. Tenant's Undertaking. Tenant, in exercising its election to select and engage architects, engineers or contractors for the design or construction of the Improvements, accepts sole responsibility for the design,

c. Exceeds or affects the structural integrity or operational requirements of the Building, or any part of the ventilating, air conditioning, plumbing, mechanical, electrical, communication or other systems of the Building.

d. Is not approved by the holder of any mortgage encumbering the Building at any time the work is proposed.

e. Would not be approved by a prudent owner of property similar to the Building.

f. Violates any agreement which affects the Building or binds Landlord.

g. Landlord reasonably believes will increase the cost of operation or maintenance of any of the systems of the Building.

h. Landlord reasonably believes will reduce the market value of the Premises or the Building at the end of the Lease.

i. Does not conform to applicable building or zoning codes or is not properly approved by any governmental authority with jurisdiction over the Premises or the Building.

j. Does not conform to the Building Standards of Construction, as specified herein or as otherwise promulgated or modified by Landlord.

k. Landlord reasonably believes will interfere with or interrupt the normal operation of the Building or the normal operation of other tenants in the Building.

4. Procedures for Approval. All architects, engineers and contractors selected by Tenant shall be approved in advance by Landlord. The procedure for such approval shall be as follows:

a. Tenant shall submit to Landlord in writing, at least three (3) working days prior to acceptance of any proposed contract or bid, the names, addresses, telephone numbers, and professional license numbers of every architect, engineer and contractor Tenant intends to use and every subcontractor to be involved in the design and construction of the Improvements.

b. In addition, Tenant shall submit to Landlord in writing, at least three (3) working days prior to commencement of construction, the following information, together with any other information that Landlord may require Tenant to provide:

(1) Copies of the construction contracts and subcontractors by which the Improvements are to be constructed.

(2) The construction cost breakdown and total costs for the completion of the general, plumbing, mechanical and electrical construction work.

(3) A construction schedule including the commencement date of construction and the estimated completion dates of the construction work, fixturing work and projected opening date.

(4) Evidence of insurance as required herein. Tenant's contractors shall not be permitted to commence any work until all required insurance has been obtained and certificates or policies of such insurance have been received by Landlord.

(5) Performance and Payment Bonds as required under paragraph 6.f., naming Landlord, and such other parties as required hereunder or as Landlord may otherwise direct, as obligees.

(6) Building Permits for all of Tenant's work within the Premises, and such other evidence as may be required by the Lease to demonstrate that all necessary governmental permits and licenses have been obtained.

(7) Evidence satisfactory to Landlord that Tenant has sufficient funds, or sufficient financial resources to borrow sufficient funds, to pay all costs of the design and construction of the Improvements as and when payment therefor becomes due.

5. Insurance Requirements. Tenant and Tenant's contractors shall obtain and provide Landlord with certificates or policies of insurance evidencing the following insurance coverage:

a. Workmen's Compensation, as required by the State of Hawaii, including Employer's Liability Insurance, with a limit of not less than \$100,000, and any insurance required by any Employee Benefit Acts or other applicable statutes as will protect the contractor and subcontractors from liability for construction of the Improvements.

b. Comprehensive General Liability Insurance (including Contractor's Protective Liability) of not less than \$2,000,000 for any one occurrence whether involving bodily injury liability (or death resulting therefrom) or property damage liability or a combination thereof with an aggregate limit of \$5,000,000. Such insurance shall insure Tenant's contractor against any and all claims for bodily injury, including death resulting therefrom and damage to or destruction of property of any kind whatsoever and to whomever belonging, arising from the construction of the Improvements, whether such work is performed by Tenant's contractors, subcontractors, or their subcontractors, or by any one directly or indirectly employed by any of them.

c. Comprehensive Automobile Liability Insurance, including ownership, maintenance, and operation of automotive equipment, owned, hired and non-owned, in the following amounts:

Bodily Injury, each person	\$1,000,000
Bodily Injury, each occurrence	2,000,000
Property Damage Liability	1,000,000

Such insurance shall insure Tenant's contractors and subcontractors against all claims for bodily injury, including death resulting therefrom and damage to the property of others caused by accident and arising from the construction of the Improvements, whether such work is performed by Tenant's contractors, subcontractors or their subcontractors, or by any one directly or indirectly employed by any of them.

d. Tenant shall also obtain and provide Owner's Protective Liability Insurance as will insure Tenant against all liability to third parties for damages because of bodily injury or death arising therefrom and property damage liability of others or a combination thereof which may arise from the construction of the Improvements, and any other liability for damages which the general contractor or subcontractors are required to insure under any provisions of this Work Letter or the Lease. Said insurance shall be provided in minimum amounts as follows:

Bodily Injury, each person	\$1,000,000
Bodily Injury, each occurrence	2,000,000
Property Damage, each occurrence	1,000,000
Property Damage, aggregate	3,000,000

e. Tenant shall also obtain and provide an "All Physical Loss" Builders' Risk Insurance policy on the construction of the Improvements as that work relates to the Building within which the Premises are located, with Completed Value Builders' Risk Material Damage Coverage. The amount of such insurance shall be 100% of the replacement cost of the work to be performed for Tenant.

f. Tenant and Tenant's contractors shall furnish payment and performance bonds in form acceptable to Landlord for 100% of the cost of the Improvements. In its sole discretion, Landlord may but shall not be required in any way or under any circumstances to waive this requirement. If Tenant requests and Landlord grants such waiver, Tenant shall be required at a minimum to provide Landlord with evidence that Tenant has the present financial ability to pay all of the costs of construction of the Improvements, and to provide written waivers of mechanics' and materialmen's lien rights by all of Tenant's contractors, subcontractors and suppliers which certify in form acceptable to Landlord that all claims for work done in the construction of the Improvements have been paid. Tenant shall keep the Premises and the Building free and clear of all claims and liens and application for liens,

and shall indemnify and defend Landlord against all such claims and liens and applications for liens, and all attorneys' fees, costs and all other expenses which Landlord incurs in resisting such claims and liens.

g. All insurance policies required hereunder shall name Landlord and Landlord's property managers, architects, engineers and contractors as additional insureds (excepting the Workmen's Compensation policy, which shall contain an endorsement waiving all rights of subrogation against Landlord and Landlord's property manager, architects, engineers and contractors), and shall provide that the coverage specified therein may not be canceled or modified except following ten (10) days prior written notice to Landlord.

6. Standards of Construction. Tenant shall be responsible to assure that:

a. The Improvements shall be constructed in strict compliance with the terms of this Work Letter, the Lease, and the Working Drawings.

b. The Improvements shall be constructed in strict compliance with the Standards of Construction set forth in Schedule 2 attached to this Work Letter.

c. The Improvements shall be constructed in strict compliance with all applicable statutes, ordinances, regulations, laws, and codes of the City and County of Honolulu, the State of Hawaii, and all cognizant federal, state and local governmental agencies, now or hereafter in effect.

d. The Improvements shall be constructed in strict compliance with the terms and conditions of the Building Permits by which construction is authorized.

e. The Improvements shall be constructed in strict compliance with all applicable requirements of the Hawaii Insurance Rating Bureau.

f. Where any conflict exists between any of the laws or authorities referred to in this Paragraph, or as otherwise apply to the Improvements, the more stringent thereof shall govern.

7. Procedures for Construction.

a. Tenant's contractors shall construct the Improvements in strict accordance with all Rules and Regulations presently existing or subsequently promulgated or amended by Landlord from time to time. Tenant's contractors shall construct the Improvements in such manner and at such times so as to cause the least possible interference with other tenants and invitees of the Building.

b. Tenant may not undertake any work which deviates from the Working Drawings approved by Landlord, or any modifications whatsoever to the Building or utilities, or any work not explicitly shown on the Working Drawings, without Landlord's prior written approval.

c. Landlord or Landlord's architects or engineers may periodically inspect the construction of the Improvements to determine whether they comply with the terms of this Work Letter, the Lease and the Working Drawings approved by Landlord.

d. Tenant shall insure that Tenant's contractors and subcontractors shall perform all work for construction of the Improvements under the administration of Landlord and Landlord's architects and engineers, and that they will coordinate all such work with the activities of Landlord and Landlord's architects and engineers. Tenant's work shall be subject to general continuing inspection by Landlord and Landlord's architects and engineers at all times prior to Tenant's occupancy of the Premises.

e. During the construction period, Tenant shall keep and maintain portable fire extinguishers of the type and size required by the Fire Marshall at the Premises, and shall otherwise comply with all federal, state and local statutes, ordinances, regulations, laws, and codes relating to safety and fire prevention standards applicable to construction of the Improvements.

f. Landlord shall have the right to perform, for and on behalf of Tenant, for the account of Tenant, and subject to reimbursement by Tenant, any of Tenant's work which Landlord determines should be

performed by Landlord for the best interests of the Building, including without limitation, work which pertains to structural components and the general utility systems for the Building, and the erection of temporary barricades and temporary signs as specified by Landlord's architects or engineers.

g. Upon the completion of the Improvements by Tenant, Tenant and Tenant's contractors shall meet with Landlord or Landlord's architects to conduct a final inspection of the Improvements and to prepare a "punchlist" enumerating any items which do not comply with the requirements of this Work Letter, the Lease or the Working Drawings approved by Landlord. Tenant and Tenant's contractors shall correct all items on said punchlist to insure that they comply with the requirements of this Work Letter, the Lease and the Working Drawings within thirty (30) days of the date of said punchlist, or if such correction cannot reasonably be completed within said 30-day period, then such longer time as may be reasonably required, provided that Tenant and Tenant's contractors shall within said period commence such correction and thereafter diligently prosecute the same to completion. The failure of Tenant to correct any such item shall not affect the day on which rent is to begin or resume under the Lease. If construction occurs prior to Tenant's occupancy of the Premises, or if Tenant has vacated the Premises at Landlord's request to enable Landlord to perform the construction, Tenant shall not take or resume occupancy of the Premises until Landlord and Landlord's architects have determined that the Improvements are substantially completed.

h. Landlord's preparation or approval of the Space Plan or the Working Drawings shall not be deemed to constitute any representation or warranty as to the adequacy, efficiency, performance or desirability of the Improvements.

i. Notwithstanding anything to the contrary contained herein, any approval given by Landlord shall be for the benefit of Landlord only and shall not inure to the benefit of Tenant or any other person, nor shall it operate to relieve any other person, including Tenant, Tenant's architects, engineers or contractors, from any liability arising out of work done by or for Tenant, including but not limited to liability for negligence or failure to comply with applicable statutes, ordinances, regulations, laws and codes of the City and County of Honolulu, the State of Hawaii, and all cognizant federal, state and local governmental agencies.

8. Indemnification of Landlord. Tenant shall and does hereby indemnify and hold Landlord harmless from and against any and all claims, demands, losses, damages, attorneys' fees, costs, suits and causes of action for injury to persons or for death and for damage to property, including property of Landlord, arising from or in any way connected with construction of the Improvements, except when such injury, death or damage has resulted solely from the negligence or willful misconduct of Landlord or Landlord's agents or employees.

9. Payment of Improvement Allowance. The Improvement Allowance specified in this Work Letter shall be applied solely toward Tenant's costs and expenses in completing the design and construction of the Improvements, and payments of the Improvement Allowance shall be conditioned upon all of the following:

a. No payment shall be made unless Tenant and Tenant's agents are in strict compliance with the requirements of this Work Letter and the Lease, and are not in default under this Work Letter or the Lease.

b. No payment shall be made unless Tenant shall have submitted to Landlord a detailed description of the services for which Tenant is requesting payment, with evidence that (i) the work for which the payment is requested has been done, and (ii) all claims and liens for the work for which payment is requested have been released or waived.

c. If Tenant has paid all sums otherwise due from Tenant or Tenant's contractors under the terms of this Work Letter, Landlord shall pay the amounts which Tenant has requested payment for work done to that date; provided, however, that the total of such payments shall not exceed seventy-five percent (75%) of the total amount of the Improvement Allowance.

d. At the expiration of five (5) days after Tenant has published and filed a Notice of Completion of the Improvements pursuant to Chapter 507, *Hawaii Revised Statutes*, Landlord shall pay Tenant any further amounts which Tenant has requested for work done to that date; provided, however, that the total of such payments shall not exceed ninety percent (90%) of the total amount of the Improvement Allowance.

e. At the expiration of forty-five (45) days after Tenant has published and filed a Notice of Completion of the Improvements pursuant to Chapter 507, *Hawaii Revised Statutes*, Landlord shall pay Tenant the remaining balance of the amounts for which Tenant has requested payment for work done to that date; provided, however, that the total of such payments shall not exceed the total amount of the Improvement Allowance.

f. Disbursement of the Improvement Allowance shall be made directly to Tenant's contractors; provided, however, that Landlord shall not have any liability under any contract between such contractors and Tenant, and such contractors shall not be construed as third party beneficiaries of this lease. Tenant agrees that the indemnity provisions in favor of Landlord and contained in General Provisions 12.01, shall apply to the foregoing proviso.

10. Title to Improvements and other Property Acquired. All improvements, fixtures, furniture and equipment constructed or acquired by or at the expense of Landlord under this Work Letter Agreement or otherwise, and all improvements fixtures, furniture and equipment constructed or acquired with or by virtue of any improvement allowance paid by Landlord under this Work Letter Agreement, shall from the time of such construction or acquisition be and remain the sole property of Landlord. Tenant shall be entitled to the use of said property in Tenant's business during the term of the Lease, but shall be responsible to repair and maintain said property and surrender the same to Landlord in good order and condition, reasonable wear and tear excepted, upon expiration or sooner termination of the Lease, and Tenant shall not be entitled to take or remove said property from the Premises at any time unless specifically agreed in writing by Landlord.

Notwithstanding anything to the contrary contained herein, if Landlord shall provide standard or stock building materials to Tenant for the construction of the Improvements, the amount of the Improvement Allowance shall be decreased by the cost of such standard or stock building materials.

(c) Landlord or the Parking Operator designated by Landlord may issue to Licensee from time to time, a card, decal or other device to be used by Licensee and its designees to gain access to or evidence authorization for use of the Garage. Licensee agrees and understands that a charge (which charge may be established and changed from time to time upon thirty (30) days prior notice from Landlord or the Parking Operator designated by Landlord to Licensee) will be payable by Licensee should Licensee or any of its designees lose such card or other device.

(d) Licensee shall report, prior to the removing of any automobile from the Garage, any loss or damage occurring in connection with the presence of that automobile in the Garage.

(e) Licensee agrees and understands that Landlord or the Parking Operator designated by Landlord may make further rules and regulations reasonably governing the operation of the Garage and the exercise of the license granted hereby, and Licensee agrees to comply with, and to

EXHIBIT E

PARKING LICENSE

Tenant (hereinafter called "Licensee") under the Lease to which this Parking License is an exhibit (hereinafter called the "Lease") hereby agrees with Landlord thereunder as follows:

1. **Grant of License.** Landlord hereby grants to Licensee and Licensee hereby accepts from Landlord a license by which Licensee and Licensee's designees may park in the type and number of parking spaces described in Specific Provision 1.01(n) of the Lease, said spaces being located in the Bishop Square garage (hereinafter called the "Garage"), on a month-to-month basis commencing on the Commencement Date described in Section 3.02 of the General Conditions of the Lease. Licensee understands and agrees that only a revocable license is granted and accepted hereby and that no lease or bailment is created or intended to be created by this License.

2. **Parking Fees.** Licensee agrees to pay Landlord, or such person or firm as Landlord may designate, as parking operator for the Garage (hereinafter called "Parking Operator"), monthly, in advance, on the first day of each month, a parking fee established from time to time by Landlord or the Parking Operator designated by Landlord. Tenant shall also pay Landlord or the Parking Operator designated by Landlord an amount equal to any and all taxes and charges imposed upon Landlord or the Parking Operator designated by Landlord with respect to such parking fees pursuant to Paragraph 4.05 of the Lease. Time shall be of the essence in connection with the payment of all parking fees and other charges due under this License. Licensee agrees and understands that said parking fee may be changed from time to time upon thirty (30) days prior notice from Landlord or the Parking Operator designated by Landlord or the Parking Operator designated by Landlord to Licensee.

3. **Termination.** Should Licensee fail to pay Monthly Base Rent for the office space due under the Lease or parking fees and charges due under this License, or should Licensee fail in any other respect to comply with the terms of this License or of the Lease, Landlord or the Parking Operator designated by Landlord may immediately terminate this License and cancel all of Licensee's rights hereunder.

4. **Notices.** Notice to either of the parties hereto shall be given in the same manner as provided in the Lease. A notice so given to Licensee shall be deemed delivered to Licensee's designees under this License.

5. **Rules and Regulations.**

(a) Licensee agrees to comply with the rules and regulations of Bishop Square and of the Garage and guarantees that its designees will otherwise faithfully comply with the terms of this License and all of such Rules and Regulations.

(b) Licensee agrees and understands that Landlord or the Parking Operator designated by Landlord may at any time change the location of the parking spaces to be utilized by the Licensee and its designees. Licensee and its designees will use only those spaces in those areas as are designated by Landlord or the Parking Operator designated by Landlord. Unless otherwise expressly indicated, Licensee will be entitled only to the use of "Unreserved" parking.

CA-IR-647

Ref: Response to CA-IR-24(c).

HECO indicated that it was preparing its annual sales and peak forecast for 2005 to 2010 and expected the forecast to be issued in May 2005.

- a. Please provide the updated economic forecasts for Oahu provided by UHERO used as a basis for HECO's sales forecasts.
- b. Please provide the forecast revisions or alternative models updating HECO's June 2004 sales and peak forecast.

HECO Response:

The information provided in this response is preliminary and has not been submitted to the normal short-term forecast process as of May 13, 2005. Preliminary results were technically reviewed by the Forecast Review Group on May 10, 2005. Members of this group were invited based on their technical expertise in forecasting and included the University of Hawaii College of Business, the Department of Business, Economic Development & Tourism, and the Department of Commerce and Consumer Affairs. The economic forecasts, models, and results are scheduled to be reviewed by HECO's Forecast Working Group on May 16, 2005. Review by HECO's Executive Staff is not expected to occur until after May 20, 2005 when the forecast report is scheduled to be issued. Models and preliminary forecasts indicated as "recommended" in the attached workpapers are recommended by the Forecast & Research Division for management review only and are not approved or recommended by HECO at this time. Models, data, and the preliminary forecast may change and/or may not be adopted by HECO for use in financial planning or for ratemaking purposes. The forecast includes the impact of enhanced DSM programs.

- a. Attached on pages 3 through 72 to this response is the report prepared for HECO by

UHERO. The information is voluminous and therefore only one copy each will be provided to the Consumer Advocate, Department of Defense, and the Commission under separate transmittal. UHERO's projections will be provided electronically in MS Excel format on a CD in a folder labeled CA-IR-647 filed under separate transmittal.

- b. See attached pages 73 through 146. The information is voluminous and therefore only one copy each will be provided to the Consumer Advocate, Department of Defense, and the Commission under separate transmittal.

ECONOMIC OUTLOOK FOR O'AHU

prepared for

HAWAIIAN ELECTRIC COMPANY, INC.

by

Carl S. Bonham Ph.D.,
Byron Gangnes Ph.D., and
Leroy O. Laney Ph.D.

April 15, 2005

**University of Hawai'i
Economic Research Organization**
2424 Maile Way, Room 542
Honolulu, Hawai'i 96822
(808) 956-7605



Preface

This report, prepared for Hawaiian Electric Company, Inc. (HECO), presents the annual long-term trend economic forecast for the island of O'ahu. It is based on a detailed econometric model of the State of Hawai'i and each of its four individual counties, estimated and maintained by the University of Hawai'i Economic Research Organization (UHERO).

In the process of preparing the forecast, we have benefitted from the insights of George Willoughby, Director of Forecasts and Research at HECO, members of his staff, and other individuals—representatives from tourism, local government, and other sectors—surveyed inside and outside the HECO organization. The resulting forecast combines the formal economic structure of a detailed econometric model with on-the-ground observations about conditions in key sectors. We believe the result is superior to an approach that considers only one of these two inputs separately.

Recent trends and the outlook for the State economy as a whole are presented in this report prior to addressing specifics for the O'ahu economy. Economic conditions and UHERO forecasts for key external economies—principally the U.S. and Japan—are discussed following the O'ahu forecast. Separate reports prepared by UHERO summarize conditions and present the outlook for the Maui County and Hawai'i County economies.

Time series referred to in the text that are not depicted in text charts can be found in the Data Tables section of this report.

UHERO and HECO acknowledge standard sources of the local economic data: the Research and Economic Analysis Division (READ) of the State of Hawai'i's Department of Business, Economic Development, and Tourism (DBEDT); labor market data from the Research and Statistics Office of State of Hawai'i's Department of Labor and Industrial Relations (DLIR); and selected data from Prudential-Locations Real Estate.

Thanks to Somchai Amornthum and Pornthawee Nantamanasikarn for excellent research assistance.

Mission Statement

The mission of the University of Hawai'i Economic Research Organization is to inform public

EXECUTIVE SUMMARY

The outlook for Honolulu County is for continued buoyant growth in the near term, with military housing construction adding to broad-based strength. The labor market is now very tight, and gradual slowing of the economy will begin to occur. Over the next two decades, population slowing—and in the case of Japan decline—will mean slower growth of Hawai'i tourism demand. Together with local development constraints, this will cause somewhat slower overall growth for the local economy. The standard of living of O'ahu's people will continue to expand at a steady, but not spectacular, growth rate. The composition of the economy will continue a very gradual evolution toward diversified service areas, although tourism will remain the dominant sector.

- After a relative slowdown last year, external conditions now look fairly good. We expect U.S. output growth in the 3.4–3.6% range, just at or below potential output. There is greater concern on the Japanese side. The economy entered recession last Spring, but we believe it is now on track for 2.0–2.5% growth. For the near term, energy costs and security concerns represent the biggest downside risks. Oil prices have stubbornly refused to retreat, raising inflationary risks. A sharp Federal Reserve response could bring an abrupt end to the local housing cycle. A worsening situation in Iraq could mean more disruption to both military communities and tourism.
- The visitor industry reported a spectacular year in 2004, driven by Japanese recovery and very strong mainland tourism. U.S. visitors to O'ahu are expected to rise another 3.7% this year, and Japanese arrivals will rise nearly 7%. Overall arrivals are expected expand by 4.5% this year, slowing to 3% growth in 2006. This run of very strong visitor numbers will push hotel occupancy rates on O'ahu near 83%, their highest levels since the late-1980s. With little net change in the hotel room stock expected for the next several years, occupancy rates will remain high.
- The longer-term outlook for tourism is for slower arrivals growth than we have seen in the past and an increasing focus by the industry on raising revenue per visitor. We expect only small net gains in O'ahu rooms over the next two decades, primarily at Ko Olina or other Leeward locations. Occupancy rates will remain above 80% throughout the period.
- Relatively slower visitor growth is expected on both the U.S. and Japanese sides. U.S. visitors to O'ahu will grow at about a 1.5% rate over the next five years, but will slow to only 0.2% annual growth during the 2016–2025 period. In part this reflects a general slowing of U.S. visitors to Hawai'i, but also some additional decline in O'ahu's share of state visitors. Japanese visitor growth will slow more dramatically in the medium term, primarily due to the aging of the Japanese population, but will rebound to roughly 0.5% annual growth for the 2016–2025 period.
- The construction industry continues to boom, adding another 4.3% to the job base last year. O'ahu residential realtors saw big gains in both price and volume. Looking forward, volume will begin to slow as demand is satiated and affordability declines. But significant slowing will not occur for a number of years. The activity stimulated by military housing construction and renovation will sustain the industry at a higher than customary level for some time to come.
- Generally favorable labor market conditions are seen for the remainder of the decade, with job growth averaging 1.5% per year. Last year saw nearly 2.5% job growth on O'ahu, following 1.6% growth in 2003. The total number of payroll jobs is now well above pre-9/11 levels in the tourism-related sectors that took such a beating after 9/11. We expect job growth this year to nearly match that last year's gains.

rising 2.2%. With military housing renovation projects now ramping up, the strongest job growth this year will be in the construction and allied sectors.

- By 2010, rates of aggregate job growth will taper toward 1% and then decelerate further, in part reflect-

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I. THE HAWAII STATE ECONOMY

Recent Economic Performance

2004 was a very good year for the Hawai'i economy. Nearly every major sector of the state economy—both those directly linked to external forces and those more locally driven—continued to perform robustly. In the first three quarters of the year, current dollar personal income growth was almost 6.0% above the same period in 2003.

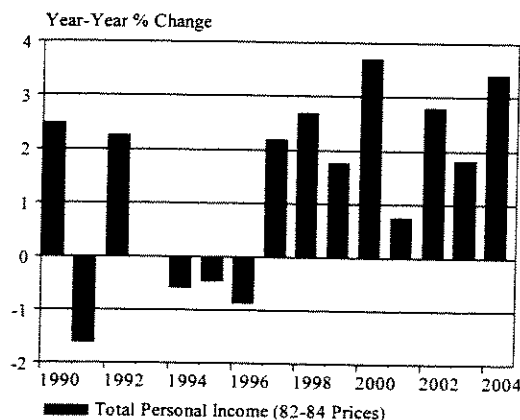


Figure 1: Hawai'i Real Income 1991-2004

The primary forces driving growth were a hot housing market, continued strong construction activity, healthy mainland tourism, and a welcome (if gradual) return of the Japanese visitor market. As a result, the Hawai'i economy easily outperformed the U.S. national economy.

Job growth showed strength across the board. Overall non-farm jobs expanded 2.6% for the year, higher than any year since the 3.1% growth of 2000. For several months during 2004 Hawai'i had the lowest unemployment rate in the nation. In fact, the local manpower market became so tight that labor supply constraints are now likely to be an important limiting factor in 2005 and beyond.

An almost record-breaking 6.9 million visitors came to Hawai'i in 2004, and the 7.0 million barrier will almost surely be broken this year. Strength in 2004 was seen on both the U.S. and Japanese

sides. Much of the optimism that pervaded the Hawai'i business community in 2004 originated in its still most important export industry: accommodation and food service jobs rose 3.5% in 2004. Hawai'i's approximately \$10 billion per year tourism industry is estimated to account directly for almost one quarter of Gross State Product.

One-time effects on Hawai'i tourism from such factors as Asian illness scares, the Iraq War, and international terrorism have made the period since 2001 a rather bumpy one. While the industry will continue to be vulnerable to such events, at present there is strong forward momentum.

Both the U.S. and the Japanese economies started 2004 strong, and then they hit a soft patch about mid-year. Both economies have since shown signs of renewed vigor, and neither slowdown impacted Hawai'i tourism in any major way.

Though U.S. Mainland tourism was quite strong in 2004—with arrivals up over 6.5% from the previous year—the big news was the return of the Japan market, upon which some observers had almost given up. The Japanese rebound attenuated some as the year progressed, partly because growth numbers early in the year were being compared to the beginning of 2003, when Severe Acute Respiratory Syndrome (SARS) fears and the Iraq War slowed Japanese tourism. But the year ended with Japanese visitor arrivals up more than 10%.¹

Exchange rates were also on Hawai'i's side in 2004. The average yen/dollar exchange rate for the year was 108, the strongest yen since the dollar bought only 94 yen in 1995. Foreign visitors came because their currencies bought more U.S. dollars. And many U.S. travelers chose Hawai'i over foreign destinations because their dollars did not go as far abroad.

As long as the weak U.S. dollar continues, this is likely to bolster Hawai'i tourism. Exchange rates can move capriciously, but recent dollar weakness

¹We get slightly different totals than DBEDT, apparently due to an error in DBEDT figures for April.

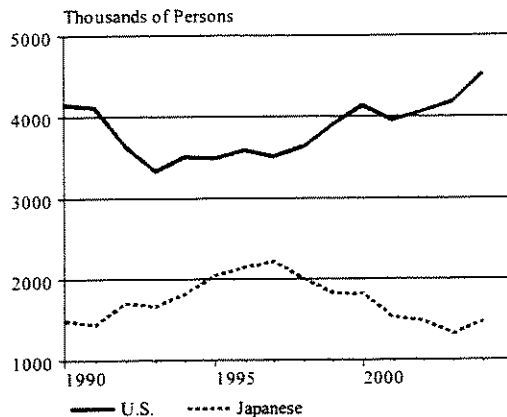


Figure 2: U.S. and Japanese Visitor Arrivals to State, 1990–2004

has been driven at least partly by the so-called “twin deficits,” the chronic current account deficit in the U.S. balance of payments and the re-emerged fiscal budget deficit under the Bush administration. Much of the foreign financial inflow that finances the U.S. current account deficit also finds a home in the U.S. Treasury securities that finance the budget deficit. And it is inconceivable that either of these deficits can be reversed in any short term time frame.

In construction and real estate, the legacy of low interest rates continued to be felt in 2004. The Federal Reserve’s monetary tightening, which began about mid-year, did not translate into higher long-term interest rates such as mortgage rates. Rates on many medium and longer term construction loans had already been locked in. Both residential home sales and prices accelerated in 2004. Sales volumes is likely to level off due to satiation of demand and the fact that higher prices themselves eliminate some buyers from the market.

Rising home prices carry with them positive wealth effects on consumer spending. One example for big ticket items is found in new auto sales, themselves influenced by financing rates, but also by consumer confidence. New car registrations broke a 1989 record in 2003 at just under 63,000, and 2004 numbers easily exceeded that with almost 69,000 registrations.

One negative side effect of rising home prices that drew increased attention in 2004 was home affordability. Home prices that are driven partly by offshore second-home demand can present significant problems in Hawai‘i’s relatively low wage service economy. These problems are most severe on the Neighbor Islands, where higher income jobs are scarcer than on O‘ahu. One of the few genuine ways to get relief from escalating home prices is to increase the housing supply, but concerns about excessive growth often restrain development on the Neighbor Islands.

Another macroeconomic trend that began to emerge in Hawai‘i during 2004 was an acceleration of the general price level. In the first half of the year, the Honolulu Consumer Price Index (CPI) was 3.3% higher than a year earlier. Home prices were one big culprit, especially because of the high weight of shelter in the overall CPI. This is likely to continue as escalating home prices feed into rents around the local economy.

Other upward price pressure in 2004 came from higher energy prices, another aspect that is especially important in Hawai‘i’s fossil fuel dependent economy. Like higher home prices, rising energy prices filter through the rest of the economy, in this case not just by affecting gasoline prices but also by raising electricity costs and the cost of goods shipped into the state. As in the past, the Hawai‘i inflation rate will likely continue to exceed the mainland average, as long as economic activity in the islands outstrips that of the nation as a whole.

While tourism, construction, and real estate are the most visible cyclical sectors in Hawai‘i, they make up only a portion of the state’s economic activity. Among the other key sectors are health care, business and personal services, agriculture, high technology, and defense.

Health care growth is driven largely by longer-term demographic trends, but Hawai‘i’s aging population mirrors that of many other locales. Health care and social assistance jobs grew 3.3% in 2004.

A growing business services sector has fared well

I. THE HAWAII STATE ECONOMY

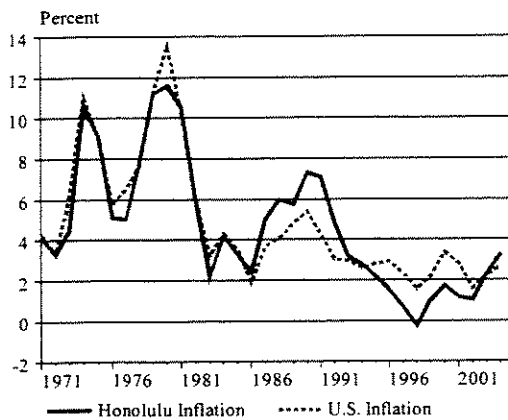


Figure 3: Honolulu vs U.S. Consumer Price Inflation, 1971–2004

in Hawai'i's buoyant economic environment. In part this is because the business service sector supports activity in tourism and construction, but also simply because a rising tide does lift all boats.

of the high tech activity in Hawaii is either directly or indirectly related to the defense presence. This is especially evident on the Neighbor Islands. Much of the activity at the Maui High Performance Computing Center, for example, comes from Air Force activities such as the satellite tracking atop the Haleakalā summit. It is unlikely the computer would even be there if it were not for defense considerations. And without the Pacific Missile Range Facility on Kaua'i, there would be very little high tech activity on that island.

Another center for high tech activity in Hawai'i is astronomy, resulting from natural gifts no development specialist in the state ever had to work to bring to fruition. These include high volcanoes, relatively low Big Island development, and unpolluted skies near the earth's equator.

The future of Hawai'i telescoping has become less certain in recent years. In 2004, the Keck Outrig-

Agriculture and high technology are often subject to their own ups and downs, sometimes unrelated to the overall economic cycle. And defense continues to play an important stabilization role, because so much of its economic contribution is unrelated to the cyclical forces.

ger telescope project at the Mauna Ke'a summit narrowly overcame vocal environmental and cultural objections to gain a go-ahead for its development. During that process, the astronomy community pointed out repeatedly that failure to gain approval could result in the industry's migration to other, somewhat less desirable but still quite ade-

as dependents and shore-based operations with Defense Department civilian workers.

Hawaii's dependence on the military continues to be largely in the form of home-ported ships and troops garrisoned in the state, not the procurement of weapons systems and defense products. Because of that, the islands suffer when there are deployments of military personnel during times of conflict. Deployments for the conflicts in Iraq and Afghanistan adversely affected the Hawaii economy in 2004, especially in locales near military bases. While some troops are now returning, dislocations are expected to continue until there is a clear resolution of the conflicts.

County Differences

Among the counties, Honolulu saw the greatest arrivals growth in 2004, up 10% over 2003 levels. This is partly because O'ahu has benefitted most from the return of Japanese travelers, but also because O'ahu has seen the biggest gains (8.8%) in the U.S. market. Kaua'i arrivals were up 4% last year, and on the Big Island arrivals were up nearly 6%. The number of visitors to Maui County was virtually unchanged from the outstanding numbers that the County hosted in 2003.

In each of the islands the health of tourism is evident in occupancy rates that have recovered to pre-9/11 levels (in Hawaii County, rates are not quite there yet, and Kaua'i has the highest occupancy since the early 1990s). As a result, hoteliers are enjoying substantially higher room rates. Statewide, room revenues were up 14.6% for the first three quarters of last year, and they were nearly 21%

higher on Kaua'i. They were up 19% on O'ahu and nearly 10% on Maui and the Big Island.

The housing market has been buoyant across the state, with O'ahu joining in 2002 an expansion that began as early as 1999 on the neighbor islands. Resale volume backed off a bit on Maui in 2004, but still remains at historically high levels on all islands. Kaua'i single family home prices saw the biggest

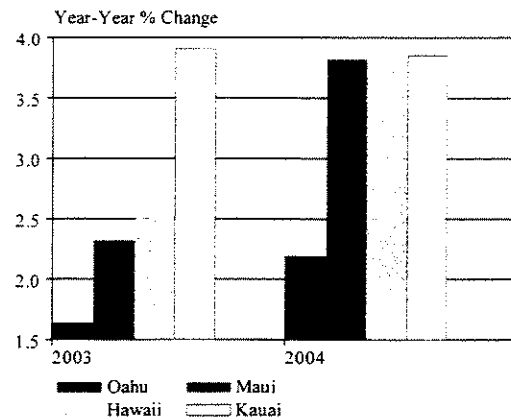


Figure 4: Non-farm Jobs, 2003-2004

56% higher than in 2003. The Big Island and Maui have seen 34% and 12% increases respectively. Average condo prices for 2004 as a whole surged ahead 50% on the Big Island compared with a year earlier.

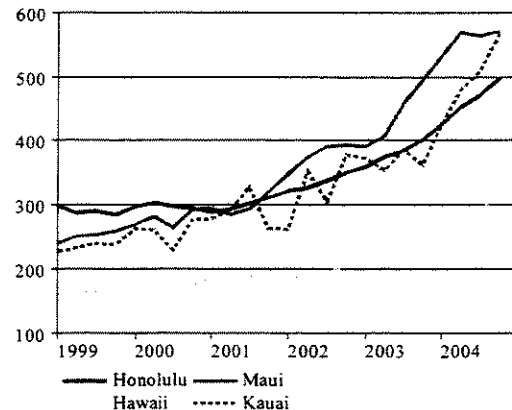


Figure 5: Single-Family Median Resale Prices

All the evidence suggests that the market for new

homes still retains plenty of life. Residential permits were rose more than 30% for the state as a whole last year. They were strongest on O'ahu, where permits rose 64% and the Big Island, which saw a 34% gain. They were up a modest 5% on Maui, while they were off 15% on Kaua'i. For the state as a whole, government contracts awarded more than doubled in 2004, due primarily to Navy contracts for waterfront projects which began in the

I. THE HAWAII STATE ECONOMY

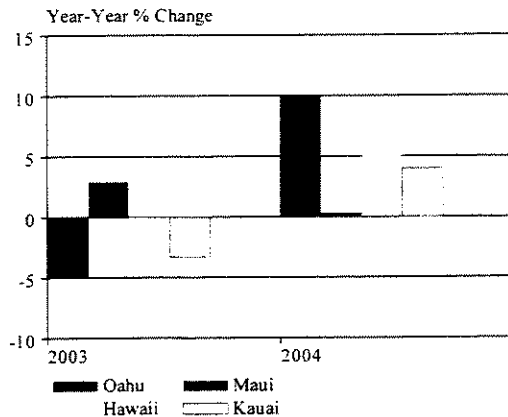


Figure 6: Total Visitor Arrivals 2003-2004

Roughly the same group of sectors have led expansion in the four counties: construction, retail trade, health care, accommodation and food services, and transportation. Construction growth has been fastest (6.3%) on Kaua'i, and O'ahu (6%). The Big Island experienced 5.2% construction growth, and Maui added more than 2% to its construction job base. Accommodation and food service job growth ranged from 3.7% on O'ahu to 4.9% in Hawai'i County. The retail trade sector added jobs at about a 3.5-4.5% rate, except on Kaua'i, where they surged ahead 6.6%. Government job growth has been significant only on O'ahu and the Big Island; in these counties, each of state, local and Federal governments increased their payrolls last year.

Emerging Developments

Hawai'i's economy has entered 2005 with plenty of momentum. Most of the factors that boosted tourism in 2004, from both sides of the Pacific, continue to be in place. Longer term interest rates continue to remain at relatively low levels compared to historical experience. With the planned military housing renovations now ramping up, the construction sector will continue to be a substantial support for growth over the next several years. And overall

there is likely to be some slowing of the rates of growth as 2005 progresses. In part this is inevitable, simply because previous growth numbers are hard to top. Perhaps the best example is tourism, which saw such high growth in 2004 partly because the industry was coming out of a problematic 2003.

There are also signs that the state economic cycle is maturing. Job growth is likely to slow as the expansion runs up against capacity constraints. One must also consider the possibility of a slowing external environment.

With the state expected to break the 7 million visitor mark this year, and occupancy rates high, there will be a limit to the number of additional visitors that can be accommodated. The tourism industry will be under increasing pressure to increase the yield from each visitor, rather than expanding sheer numbers.

Hawai'i's real estate market has entered 2005 with slower volume but still rising prices. In early 2005, the median O'ahu single family home price broke half a million dollars, up 26% from a year earlier.

Rising home prices have a two-edged effect. Times of escalating home prices in Hawai'i usually coincide with overall good economic times. Homeowners feel wealthier and more confident, and spending patterns reflect this. However, beyond some point analysts start looking for signs of speculative activity not related to underlying values. Those who lived through the 1990s in Hawai'i remember the long and slow recovery road from overvalued real estate during the late-1980s Japanese speculative bubble.

Another adverse effect of higher home prices in our lower wage economy is the impact on the ability of many workers to subsist here. This, in turn, exacerbates labor supply constraints. Much more

The current real estate boom also affects overall living costs. The jump in the Honolulu Consumer Price Index in 2004 will surely continue in 2005. In addition to shelter costs, higher energy prices have also pushed prices higher. Neither of these forces is likely to subside significantly in the near term.

Other rising prices affecting the economy in 2005 include higher airfares. Fares to Hawai'i have risen while declines have occurred on the Mainland. The overall condition of the airline industry concerns many observers, something that cannot escape notice in an economy 2,500 miles from the nearest land mass.

Hawai'i enters 2005 with both of its locally-based air carriers in bankruptcy. These carry the bulk of inter-island passenger traffic, and they are also important in carrying critical and perishable cargo on the inter-island routes. This raises questions about their longer term future, and whether out-of-state carriers will eventually supersede them. The local inter-island routes are particularly sensitive to rising fuel costs, because these routes are less fuel efficient than longer hauls.

So there are a set of factors that are likely to act as a drag on the state economy over the next several years. While they will take a bit off of overall growth, they will not derail the excellent economic performance we have seen over the past year.

II. CURRENT O'AHU CONDITIONS

II. CURRENT O'AHU CONDITIONS

O'ahu was the standout economy in 2004, improving its position considerably. In relative terms, the situation on the Neighbor Islands did not change as much from the previous year. Overall job growth on O'ahu for the year (2.4%) nearly equalled that of the state as a whole, unlike the usual pattern of higher growth in the neighbor island economies. This was related to factors such the long-awaited return of the Japanese visitor market to Waikīkī, booming construction and real estate, and burgeoning confidence of the state's business leaders.

At an annual meeting convened by HECO on December 10, 2004, representatives of the local business community reflected on current conditions and the outlook for the coming year. Much of the discussion in this section is based on comments made on that occasion.²

Tourism

O'ahu's visitor industry reported a spectacular 2004, and it looks forward to a very good 2005. O'ahu's tourism recovery traces back to about mid-2003, when the rebound from SARS and the Iraq war's outbreak started.

Waikīkī does have some finite carrying capacity of tourists, and those in the industry see that point as not far off. Thus, emphasis from now on must increasingly be on those visitors who spend more money—that is, optimizing yield rather than num-

bers.

Near term, a construction phase in Waikīkī has to be weathered. The Kuhio Avenue renovation is now nearing completion, but other developments loom. Among these are the Royal Hawaiian Shopping Center and International Marketplace projects, which are likely to extend into 2006 and 2007.

Older but less historic hotel properties are next in line for renovation or replacement. This will have the effect of further reducing Waikīkī's hotel room inventory, which has already been shrinking because of conversion to rentals and time-share units.

Hotels

Waikīkī hotels welcomed the return of the Japanese market in 2004, and occupancy rates grew. Observers look forward to a 2005 during which occupancy rate growth may be about flat, but they do foresee a rate increase on the horizon this year that should boost revenues.

The concern among Waikīkī hoteliers is not really the temporary but the ongoing permanent reductions in room inventory. Conversion of hotel rooms to other uses—such as condos, time-shares, and student housing—may continue in the future. This is one reason for observed higher hotel room occupancies.

Hotels were elated with the 2004 performance of Japanese tourists, but they recognize that the market is still a long way from its historical peak. O'ahu saw over 1.4 million Japanese visitors in 2004, a 12.3% gain from 2003. Yet the peak was attained in 1997 with 2.2 million arrivals. Industry observers do not see that record being broken for a very long while, perhaps never.

The Japanese market was courted in the past for its higher spending habits, but even these habits have changed over the years. Perhaps most important, it has proven to be a rather capricious market that comes and goes as a result of fads, scares, and other world developments. Thus, over-

²Attendees were: Carl Bonham, Byron Gangnes, Leroy Laney, University of Hawai'i Economic Research Organization; Rick Egged, Waikīkī Improvement Association; Bruce Schneider, Outrigger Hotels; Damon Hylton, Hawaiian Airlines; Dev Braganza, Actus Lend Lease; Kent Murata, Marine Corps Base Hawai'i; Daniel Dinell, Hawai'i Community Development Authority; Collin Miyamoto, Avalon Development Company LLC; Mike Hamasu, Colliers Monroe Friedlander; Bruce Barrett, Castle and Cook Homes; George Kuo, Honolulu Board of Water Supply; Ku'uhaku Park, Horizon Lines; Ralph Mesick, Bank of Hawaii; Rae Loui, Department of Education Office of Business Services; Ray Minami, Jan Yokota, Department of Education Facilities and Support Services; Sharon Nishi, Consumer Advocate; George Willoughby, Dave Waller, Jeannine Villanueva, Joyce Chang, HECO.

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dependence on this market can be risky business, and Waikīkī hotels seem to recognize that.

Airlines

Both of Hawaii's inter-island airlines are located in Honolulu, and both have seen better times. Their condition as 2005 began stood in stark contrast to overall ebullient local economic conditions. In late 2004, Aloha joined Hawaiian in filing for bankruptcy protection.

Schedule cuts and fares increases in recent years have made inter-island business commuter travel more expensive and more time-consuming. This has implications for the entire economy in the future, especially in the efficiency of its operation. Inter-island flights are analogous to the interstate highway system of Mainland states. In the past, inter-island flights were almost like riding the bus for local residents; that may be a thing of the past. The introduction of a new inter-island airline, Fly Hawaii, may help to increase options and reduce prices for air travel within the islands.

Short inter-island routes make the local carriers more vulnerable to fuel cost increases like we have seen recently, because those shorter routes are less fuel efficient than longer ones. This aspect of the economy is one that bears watching as 2005 progresses.

Construction

Builders report that times are so good they keep pinching themselves. The industry continues to boom, and construction jobs on O'ahu grew another 4.3% in 2004. Castle and Cooke Homes, the largest builder of horizontal residential units on O'ahu, has delivered over 3,000 units in the current boom.

However, fewer units are being built than in the past boom. As a result, the overall demand for homes by people in their working years is not being fully satisfied. O'ahu has its share of these problems, even though housing affordability has become a far worse problem on the Neighbor Islands. The recent escalation in home prices statewide has made

this problem more visible. (O'ahu builders note that Hawai'i is not alone in experiencing this, observing that some tract homes on the West Coast now run well over \$1 million.)

The chief concern of the building industry appears to be a lack of workers. Shortages are especially evident in the skilled trades. Low supply is putting upward pressure on the cost of labor, and this is one factor feeding into the higher cost of housing. Labor shortages also help to explain the backlog of building permits in the system.

In response to these shortages, there has been an as yet unmeasured influx of mainland labor and contractors. As is often the case, however, these inflows may be very temporary, and turnover is high. And at least some of this labor is unlicensed.

Real Estate

In 2004, O'ahu residential realtors revelled in their booming sector, with significant gains in both price and volume. Looking forward, volume may slow as demand is satiated and affordability declines. Still, industry observers expect further gains in prices into 2005.

Residential real estate is important to the economy for more than just its direct contribution. When the values of homes rise, consumers feel wealthier and spend more. However, at this point in the real estate cycle we are starting to see some increased anxiety that speculation will take hold and overvaluation will occur.

The demand for commercial real estate grew in 2004. Vacancy rates were reported at 5.8% at the end of the year, compared to the 8.0% range a year earlier. Honolulu is getting its share of a large pool of cash seeking quality real estate investments. Most of the prime Class A commercial investment is new Mainland money coming in, not properties that are changing hands locally.

Looking at commercial sub-sectors, the market for retail space is very strong. The situation on the industrial side exceeds the Japanese bubble period,

II. CURRENT O'AHU CONDITIONS

with almost no space available. (The industrial real estate vacancy rate has been hovering at about 2%.) On the office space side, there is continuing positive absorption, but the willingness of firms to expand their hiring and office space needs has acted as a constraint. It is expected that Honolulu office vacancy rates will drop from 11% to about 10% over the coming year.

Medicine and High Tech

Over the past year there has been a flurry of planning and development activity for new facilities in the emerging Kaka'ako biomedical sciences complex. Among these are:

- The Education Building of the new \$300 million John A. Burns UH Medical School recently opened on a campus next to Kaka'ako Waterfront Park. A 216,000 square foot science building is scheduled for completion in June.
- The University of Hawaii is seeking a developer for Phase II of the Medical School, a 190,000 square foot bioscience research facility next to Phase I buildings. UH hopes to have a private developer build and run the facility, with the university and possibly private companies committing to long-term leases for the space.
- In March, the UH Board of Regents selected a developer for a new \$200 million home for the Cancer Research Center of Hawai'i, on a 5.5 acre parcel adjacent to the Medical School. The 360,000 square foot building, also to be financed by public-private partnership, may be open by 2008.
- Biotech Research, an association of local business interests, is applying for Federal New Market Tax Credits to fund development of life-science research facilities in Kaka'ako. Kamehameha Schools has considered plans to develop a \$100 million high-tech office complex on its property next to the UH medical school for some time, but has not moved beyond conceptual plans.

Outside the biosciences, computer chip manufacturer Advanced Photonics Integrated Circuits is now making specialized chips for military applications at a new 10,000-square-foot facility in Kaka'ako.

We are not aware of any firm estimates of the economic impact from these medical and high tech developments in Kaka'ako, although it seems reasonable to assume that within a few years several hundred high tech employees will work in the area, providing at least several tens of million of dollars of economic activity. Some of this will be relocation of activity from the UH Mānoa campus and the Cancer Research Center, but substantial new activity is also likely. The state will bear financing costs associated with some of this development as well as High Tech Tax Credit costs.

Community Development

The science and bioscience facilities join the recent string of major condominium development projects that are transforming the Kaka'ako skyline. More urban professional and "empty nesters" are reported in the residential occupancy pool of the new construction.

In February, the Hawai'i Community Development Authority sent out a request for proposals for development of 36 acres of state-owned land along the Kaka'ako waterfront. The state would like to see 500,000 square feet of public and commercial space, 250,000 square feet of entertainment and retail, about 300 residential units and parking. The 29-acre Kewalo boat harbor is also part of the project. On the other side of the island, Kapolei is on its way to becoming a true second city.

Banking

Banks always do well when the economy does well, because both the asset and liability sides of their balance sheets are helped by improving local conditions. O'ahu bankers report that there is considerable liquidity in the economy and a wealth of high-quality lending opportunities.

Banks have participated in re-financing activity

II. CURRENT O'AHU CONDITIONS

in recent years, and now continue to have an influx of new mortgage lending. New residential construction ensures that this will continue. The second home market has been especially lucrative for banks. Mortgage delinquencies and other bad loan problems have all but disappeared in the current economic environment. As a result of all this, the banking business remains one of the strongest sectors of the Honolulu economy.

Education

The State Department of Education continues to report a shortage of qualified teachers on O'ahu. Other personnel shortages exist as well.

The DOE is also involved in anticipating impacts from the military basing decisions. Demand on its facilities will be affected as a result of the Stryker Brigade, as well as the possibility of an aircraft carrier. The new costs primarily involve compliance for existing structures, not new construction.

Infrastructure

Any growing economy puts strains on existing infrastructure. Higher tax revenues brought by a strong economy usually help out in times like this, but lags inevitably occur. Highway and other repair projects have been visible all over O'ahu recently, and the backlog guarantees that they will continue to be for some time. The new Hannemann administration has made such basic infrastructure issues a cornerstone of its economic policy.

The Honolulu Board of Water Supply notes that more development leads to higher water demand, and thus to higher water prices. In another area that has gotten much attention statewide, harbors will need renovation and expansion in coming years. Not only are more cruise ships in the pipeline, but the planned inter-island "Superferries" will need space as well.

Military

- One of six U.S. Army Stryker Brigades will be based in Hawai'i. These are newly created light armored units of 3,600 soldiers each, which are lighter, faster, and more mobile than traditional armored units. They are intended to fill an operational gap between initially deployed forces and slower heavy armored units.
- Additions at Hickam Air Force Base will be required for eight C-17 cargo carriers, which will be critical to the deployment of the Stryker Brigade. This basing should involve 100 added Air National Guard and 400 active duty Air Force personnel. Up to two added hangars may be needed for the C-17s in future years, either at Hickam or possibly Barking Sands on Kaua'i.
- There continues to be serious discussion about relocating an aircraft carrier battle group to Pearl Harbor, even though that decision may not be imminent. This would be a huge contribution, bringing about 5,500 active duty personnel for the carrier plus thousands of dependents and support personnel.

Not only does the military account for a substantial proportion of O'ahu's overall economic activity, it also provides an underlying stability that other more cyclical components do not. The military sector does have its own, often hard predict, ups and downs. But its fluctuations bear little correspondence to the local business cycle. This kind of diversification is quite valuable in and of itself. It is possible that military personnel and dependents on O'ahu could grow over the longer term. (The Marines, for example, plan to add forces globally, and Hawai'i is likely to get some of that increase.)

The enormous projects to renovate and re-build housing on O'ahu's military bases are now finally getting started, and activity will accelerate as the year progresses. Actus Lend Lease now expects that the ramping up will be finished by the end of 2005, with a steady state of activity thereafter. (Under this privatized arrangement, military home developers obtain mortgages in the private financial

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markets, relying on military housing allotments as collateral.)

Architectural and planning services for military housing projects are coming largely from local Hawai'i firms, with some Mainland supplementation. The 7,800 Army units are mostly a one-for-one replacement of existing units, but the new development is expected to be less dense, taking up more space on bases.

Kalaeloa, at the former Barbers Point Naval Air Station, is being considered as a home for fixed wing aircraft again if the Navy does home port a carrier at Pearl Harbor. Contingency planning in this regard is now underway, but it is expected that the military footprint there will be a good bit smaller than before. If it happens, there is a plan for an estimated 3,500 single family housing units in that area.

Longer-Term O'ahu Trends

Honolulu is destined to remain the center of the state's economy for the foreseeable future. It has been the center of Hawai'i's financial and commercial activity for over a century now. The military played a major historical role in the development of O'ahu over the Neighbor Islands, and that sector's contribution to the island's economy will continue to remain an important one.

The state's geography dictates that development cannot extend smoothly beyond the shores of various islands, and that further concentrates the Hawai'i economy in Honolulu. Growth rates for O'ahu, however, will not be as high as those on the Neighbor Islands, because there is more room for growth on the latter, and they grow from a smaller base.

The development of other urban centers outside of Honolulu proper, such as the second city development in Kapolei, will likely proceed at a measured pace, but this will happen more as an extension of Honolulu than as a competitor to it.

A corollary to Honolulu's role as the state's eco-

nomic and financial center is its greater diversification. The Neighbor Islands are slowly becoming more diversified, but O'ahu is well ahead. This diversification makes O'ahu less vulnerable to short-term economic shocks in sectors like tourism. In addition, the role of O'ahu as the home to most of Hawai'i's military sector acts as a stabilizing influence.

O'ahu accounts for about three-fourths of the state's population and jobs, and even more of its tax base because so many local corporations are located in Honolulu and report their statewide taxes here. Over the long haul, these shares will change a little as the Neighbor Islands grow relative to O'ahu, but any such drift will be glacial.

Tourism

Tourism will remain an important industry on O'ahu, even as the Neighbor Islands continue to refine and expand on their product. Waikiki remains a well known urban resort locale with a worldwide reputation. The refurbishment of its aging hotel and retail plant will need to continue in coming years, if Waikiki is to remain competitive.

There is still hope that the Honolulu Convention Center, combined with hotel renovation, will bring more business travelers to Waikiki. On the leisure side, Waikiki may remain more favored among Asian, especially Japanese, tourists than Mainlanders. As a result, Waikiki's future will be influenced by how those markets evolve, and how much strength they are able to produce.

O'ahu will likely retain a comparative advantage relative to the Neighbor Islands in shopping, and that is one of the appeals to Asians for whom that activity is a big draw. Over the years, the attraction of tourists to shopping on O'ahu has enhanced the overall retailing sector of the island, thus benefiting local residents as well. This effect extends from the discount malls to higher end shops.

Construction

Construction naturally is a highly cyclical indus-

...and at same point the current building boom on Main: High Performance Computer Center Hon-

The attributes which brought the military to Hawaii in the first place will not change. The is-

III. O'AHU ECONOMIC FORECAST

III. O'AHU ECONOMIC FORECAST

Our forecasting exercise describes a likely path for the state and O'ahu economies in the coming years. As always, the primary emphasis is on long-run projection: we would like to identify forces that will drive the path of the local economy over the next two decades. However, we also consider short-run business cycle prospects.

Visitor Industry

As we have noted above, visitor arrivals from the U.S. continued to be very strong throughout 2004. The Japanese market was severely affected by the Iraq war and the SARS epidemic of early 2003, and its recovery remains far from complete. Last year's 10.3% rise in Japanese arrivals still leaves the market about 20% below its level in 1999. At this rate, it will take another half-decade to regain that level.

With occupancy rates high and rising, some slowing of expansion for the U.S. visitor market must occur over the coming two years. However, such cooling is not yet evident. Through March 20, airline passenger counts for the domestic market were running 4.2% above last year's levels, and they were up 10% for the Japanese market. There has been a significant increases in airline capacity. In January, the number of available seats from the domestic side was 11% higher than in 2004; from Japan they were 20% higher.

Statewide, we expect visitor growth of 4% this year, slowing to about 1% for the following two years. Japanese arrivals will expand by 8% this year and slow toward 2.8% growth in 2007 as the recovery of that market proceeds. After expanding 8% last year, the overall visitor count will slow to just under 5% this year and 1.6% in 2006 and 2007. Visitor arrivals will crack the 7 million mark for the first time this year.

On O'ahu, mainland visitors are expected to rise 3.7% this year, after an 8.7% surge last year. Japanese arrivals will rise nearly 7%, continuing the recovery that saw a greater than 12% rise in 2004.

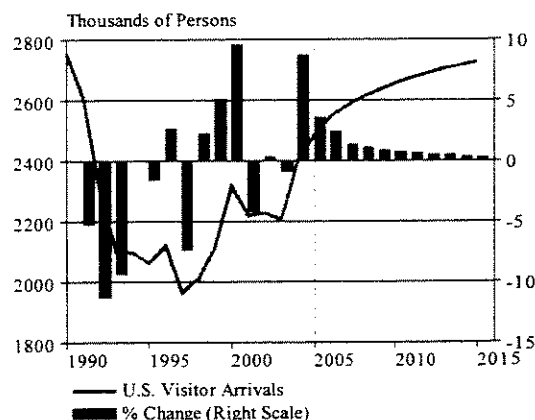


Figure 7: U.S. Visitor Arrivals to Honolulu County

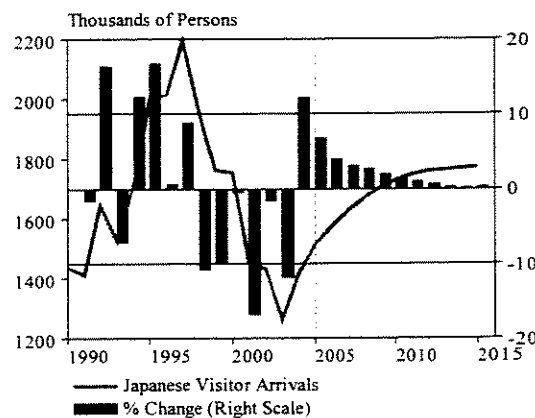


Figure 8: Japanese Visitor Arrivals to Honolulu County

They are expected to expand another 4% in 2006. Overall arrivals are expected to rise 4.5% this year, slowing to 3% growth in 2006.

This run of very strong visitor performance will push hotel occupancy rates on O'ahu near 83%, their highest levels since the late-1980s. With little expected change in the hotel room stock for the next several years, occupancy rates will remain high, constraining overall visitor growth to low single-digit gains.

Much the same picture is expected for the longer term. While hotel renovation, such as the Outrigger Beach Walk project set to begin, will continue

III. O'AHU ECONOMIC FORECAST

in Waikīkī, there will not be any significant addition of rooms. We expect only small net gains in O'ahu rooms over the next two decades, and these will be primarily at Ko Olina or other Leeward locations. From just under 36,000 room in 2004, the O'ahu room stock will grow to 38,500 by 2020. Occupancy rate will remain above 80% throughout the period.³

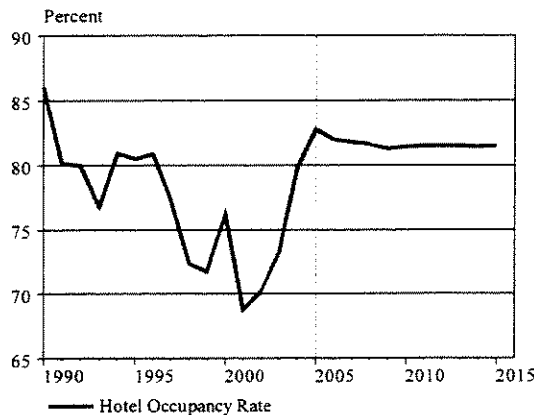


Figure 9: Honolulu County Hotel Occupancy Rate

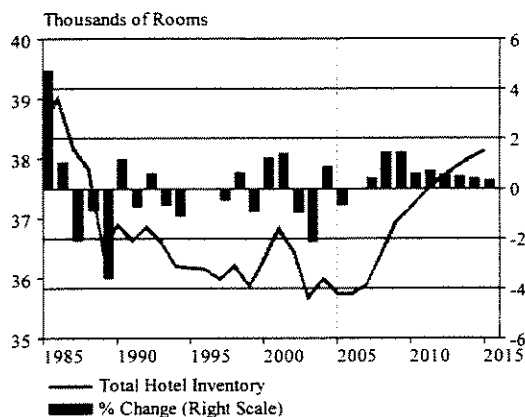


Figure 10: Honolulu County Visitor Accommodations

³This long-term forecast is intended to reflect the trend development of the economy over a twenty-year period, and so it does not include possible business cycle fluctuations that may cause short-term departures from the trend path.

In the longer term, the growth in mainland visitors is expected to gradually decelerate. Compared with an average rate of growth of about 1.5% for the next five years, U.S. visitors to O'ahu will expand at an average 0.2% rate during the 2016-2025 period. In part this reflects a general slowing of U.S. visitors to Hawai'i, but also some continuing decline in O'ahu's share of state visitors.

In relative terms, Japanese visitor growth will slow more dramatically in the medium term, primarily due to the aging of the Japanese population. Growth rates will be particularly weak during the first part of the next decade, when the effects of Japanese demographic change are at their most severe. After that time, Japanese arrivals growth will accelerate somewhat, averaging about 0.5% annual growth for the last ten years of the forecast period. This is far weaker than what we have experienced in the past 25 years.

This projected slowing in visitor growth—overall visitor arrivals will expand at a 1% rate over the 20-year period—is consistent with industry views on the likely evolution of the O'ahu visitor industry in coming years. As discussed above, industry representatives believe that expansion of the industry here must increasingly be *intensive*, rather than *extensive*. Tourism firms will work to attract more affluent visitors, rather than expecting substantial additional growth in the number of visitors.

Population and Jobs

Generally favorable labor market conditions are seen for the remainder of the decade, with job growth averaging 1.5% per year. Last year saw nearly 2.5% job growth on O'ahu, following 1.6% growth in 2003. The total number of payroll jobs is now well above pre-9/11 levels in the tourism-related sectors that took such a beating after 9/11. We expect job growth this year to nearly match last year's gains, rising 2.2%.

With military housing renovation projects now ramping up, the strongest job growth this year will be in the construction sector, which will adding an-

III. O'AHU ECONOMIC FORECAST

other 1,400 jobs, or 6.6%. Transportation and warehousing will also benefit from this stimulus. Health care will continue to add jobs at a greater-than-average rate. Manufacturing will add 2.6% to its job base.

By 2010, rates of aggregate job growth will taper toward 1% and then decelerate further to about 0.7% per year late in the forecast period. This reflects in part U.S. demographic trends that we expect to be shared by Hawai'i, which will see statewide population growth slow to 0.7% over the next twenty years. As the trend toward outer island growth continues, O'ahu population growth will be a bit weaker than that, trending down from 1% growth to about 0.5% growth by 2025. Employment will grow a bit faster because of expected gradual declines in the unemployment rate as demographics shift toward relatively more prime age earners. The active duty military presence in Hawai'i will increase by about 7,000 over the forecast horizon, most of that on O'ahu.

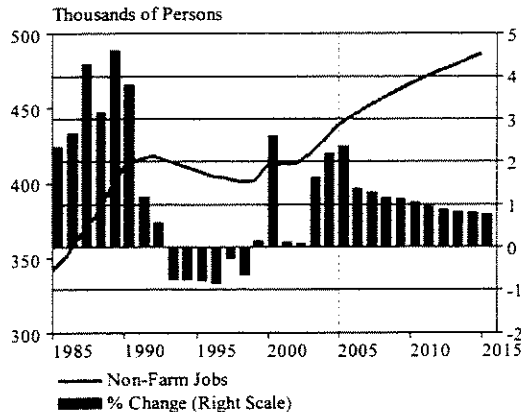


Figure 11: Honolulu County Non-Farm Jobs

Over the forecast period, Honolulu's economic diversity will continue to deepen. It is already the case that the O'ahu economy, which houses Hawai'i's commercial center and the bulk of state's military presence, is much less dependent on tourism for jobs than are the neighbor islands. For example, in 2002, barely 4% of O'ahu jobs were in the hotel sector compared to 16% on the neighbor islands. Clearly military growth and the construc-

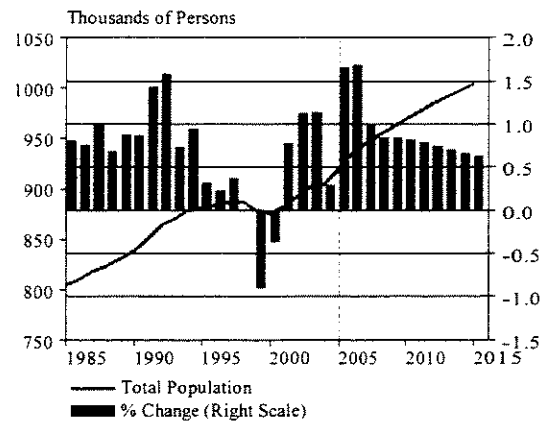


Figure 12: Honolulu County Population Growth

tourism will remain a key component in Hawai'i's economy, it will become somewhat less dominant as an employer than it has been historically, while other industries such as health and business services will increase.

The composition of O'ahu jobs across major categories is expected to continue a gradual evolution over the forecast period. Jobs in the services and construction industries will gain in relative size. Of the nearly 97,000 new jobs to be added over the next twenty years, more than 55,000 will be in service areas, 20,000 in health care alone. Construction and trade will add about 7,000 jobs each, only slightly fewer than accommodation and food services. Manufacturing and agriculture will likely see marginal job losses. The share of government jobs will be maintained at just over 1/5th of the O'ahu economy over the forecast period.

Honolulu's unemployment rate, which averaged 2.9% in 2004, is expected to remain between 3 to 3.5% for the rest of the decade, in a very tight local labor market. After that we expect a gradual convergence to 3.8%, the natural rate of unemployment for the county over the longer run.

Income

Income trends naturally mirror job growth trends,

III. O'AHU ECONOMIC FORECAST

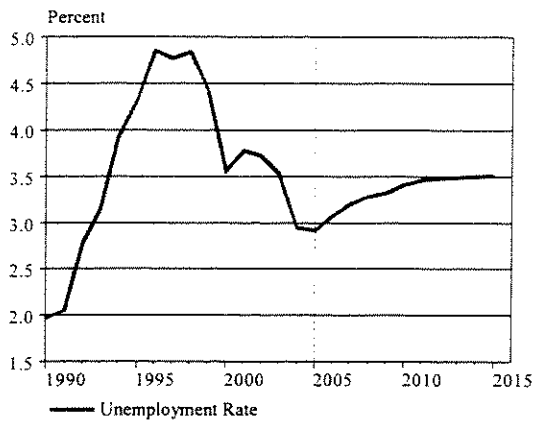


Figure 13: Honolulu County Unemployment Rate

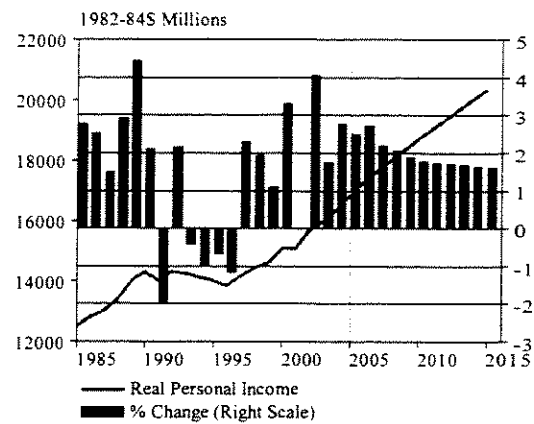


Figure 14: Honolulu County Real Personal Income

ductivity. As it has for the past several years, we expect the construction sector to lead the pack in 2005, with real (inflation adjusted) income rising by about 6%. Most of this will be due to increased employment in the sector. As we saw for jobs, transportation and warehousing will grow at above-average rates. Real income growth in construction is expected to average nearly 4% for the remainder of the

is for continued buoyant growth in the near term, with the large military construction contracts adding to what is already broad-based economic strength. With the labor market very tight, gradual slowing will begin to occur over the next several years. Over the long haul, the slowing of U.S. and particularly Japanese populations will bring slower average growth rates for tourism in Honolulu and for the

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The State and County forecasts rely in part on forecasts of external conditions in the U.S. and the Japanese economies. UHERO produces long-term trend forecasts for the U.S. and Japanese economies that extend through 2025. The baseline forecast represents the average of possible paths the economy could follow in the absence of major geopolitical or economic disruptions. It assumes continued moderate expansion of the U.S. economy in the short-run. In the long-run, output follows potential output as determined by expected growth in employment and productivity. While the Japanese economy has shown improvement recently, it is still expected to remain below potential in the short-run, before converging to potential growth over the coming decade.

Major geopolitical and economic disruptions might lead to deviations from the baseline path. Large and persistent oil price shocks, unusual swings in macroeconomic policies and excessively rapid increases in private demand are examples of economic disruptions. Continued instability in Iraq, a crisis with North Korea or in the Taiwan Strait, a new terrorist attack on U.S. soil or another outbreak of Severe Acute Respiratory Syndrome (SARS) are examples of such disruptions. Other than modifi-

annual Global Outlook report, the most recent released December 7, 2004. Please contact us for more information.)

U.S. Economic Prospects

The end of last year brought some evidence that the recent U.S. growth slowdown may be easing, but no evidence yet of a marked acceleration. The economy is likely to continue to grow at a moderate rate in 2005-2007.

In recent months, consumers have expressed relatively more optimism about prospects for the economy. The Conference Board's consumer confidence index dipped a bit in February, but that was after a sharp rise in December and a small gain in January. A similar survey from the University of Michigan also showed a slight drop in February.

The index of leading economic indicators—which reflects a set of 10 indicators of prospective conditions—rose slightly in February after a small decline in January. During the six-month span through January, the leading index decreased 0.1 percent.

The news from the manufacturing sector is generally favorable. Industrial production rose 0.4 percent

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sistance to financing every larger U.S. foreign debt could lead to a dollar crisis. It is more likely that dollar will continue to lose value gradually, helping to eventually improve the U.S. Current Account position over a number of years.

The Federal Reserve will continue to increase short-term interest rates at the measured pace of recent months. This will bring the Federal Funds rate to 4% by mid-summer, moving real rates closer to a neutral level consistent with moderate expansion. There remains some risk that rates may be increased more rapidly if inflation continues to mount, but there is no strong evidence that this is the case. In any event, long-term rates remain low and are likely to rise only slowly as the expansion matures. The fiscal picture is more problematic. In the near term, continued spending increases and tax cuts will support economic expansion, but over the longer run financing will become a real problem. The shift in the U.S. budget position has been breathtaking. In the space of just three years, the U.S. went from a 2% of GDP surplus to 4% of GDP deficit. While up to half of this can be attributed to the 2001 recession, there has also been a mammoth structural shift.

It is now clear that the emboldened Republican government will push ahead with efforts to make permanent the substantial tax cuts passed in 2000. The President would also like to see a new round of borrowing to fund a transition from the current pay-as-you-go Social Security system to one that permits private investment of some payroll taxes.

There are two sets of risks involved: First, that increased borrowing will drive up real interest rates and retard private capital formation, in precisely reverse fashion to what happened in the 1990s. Second, that burgeoning fiscal deficits will tip the record U.S. Current Account (trade) balance over an uncertain threshold after which foreigners would be begin to dump dollar assets.

Over the next several years, we expect U.S. real GDP to continue in the 3.4–3.6% rate that we have seen in recent months, just at or below the growth rate of potential output for the economy. Consump-

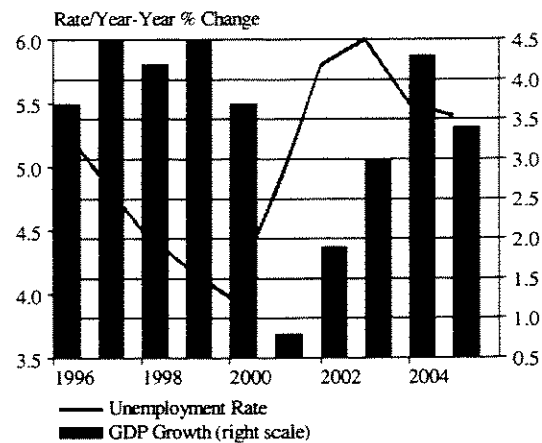


Figure 15: U.S. real GDP growth and unemployment rate

tion spending will remain relatively strong, joined by resilient investment. Fiscal policy will be a bit less stimulative than in the past three years, but will not exert a significant negative influence. Aggregate growth at this rate will not lead to much further reduction in the unemployment rate, which will remain near 5%.

The recent resurgence of oil prices is worrisome. While there are reasons to think oil prices at this level can be absorbed without substantial adverse effects (See the box, "How Big a Risk is Oil?"), it is likely that inflation will remain relatively high for the next few years. We expect inflation to match last year's 2.7% rate in 2005, before stabilizing near 2.5% in 2006–2007.

There is some risk that inflation will pick up faster and growth fall short of these forecasts. High oil prices could accelerate if they cause a larger-than-expected uptick in inflationary expectations. This could translate into either a more marked reaction by the Federal Reserve or to increasing long-term interest rate, either of which would restrain investment spending.

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How Big a Risk is Oil?

Oil prices have risen faster and farther than expected. From \$20 per barrel in late 2001, oil prices rose to \$30 in 2003 and then surged to \$55/bbl by last October. They hit a 22-year high on March 16 above \$56/bbl. We expect crude to average in the upper \$40s to low \$50/bbl range for the year as a whole.

Given the magnitude of this price spike, is the global economy headed for another crisis like those of the 1970s? Probably not.

First, the magnitude of recent price increases is considerably smaller than the 1970s shocks, especially when adjusted for inflation. (See the figure.)

Rich countries are less oil intensive than they were 20 years ago, partly because of adoption of energy-saving technologies and partly because of the evolution toward services, which are less energy-intensive than manufactures. For many developing countries, high non-oil commodity export prices are helping to finance the higher oil import bill. In addition, oil exporters are spending their windfall more quickly.

The past oil shocks were largely due to supply disruptions, which not only raised prices but disrupted shipments to some manufacturers. Today's largely demand-driven shortfall is more manageable.

The macro environment is more benign today. With an increasingly competitive global goods markets and soft labor markets, The Federal Reserve and other central banks need not raise interest rates dramatically, which contributed to recessions after past oil shocks.

High oil prices do have negative impacts on the world's economy. They redistribute wealth from oil importers to oil exporting countries. Global output will also slow somewhat. Models suggest that a sustained \$10/bbl increase in oil prices shaves 0.3–0.5% from world real output growth. A shock yes, but not a crisis.

While the recent election in Iraq was encouraging, it is uncertain when and to what extent security may be restored, leaving uncertain the financing costs for the federal government and posing the continued risk of a large-scale terror attack.

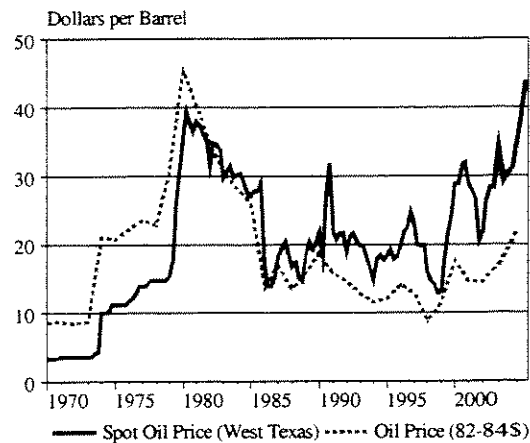


Figure 16: Crude Oil Prices

At the same time there are also upside risks. Recent evidence of improving business and consumer outlooks may portend a sharper acceleration of growth in 2005 than currently anticipated. And improvement overseas—long delayed—would add an important external component to the global expansion. Despite both negative and positive risks, the most likely path for the U.S. economy is continued moderate expansion for the 2005–2007 period.

California Performance and Prospects

California suffered a more pronounced downturn than much of the country in the early part of this decade. The tech downturn that began in 2000 hit the state hard: After 6.5% real income growth in 2000, California saw 1.1% contraction in real income in 2001 and 2002 and a modest growth of 0.8% in 2003. The state economy lost nearly 200,000 jobs between 2001 and 2003, and the unemployment rate crept up to nearly 7% by mid-2003. Not surprisingly, the biggest losses were in the information sector, which alone shed 150,000 jobs. Trade, transportation and utilities and manufacturing also saw significant job losses.

California's sharp deceleration was also felt in public finances. The last budget for Governor Gray Davis in fiscal 2004 saw a \$35 billion budget shortfall, even with more than \$8 billion dollars in tax increases and \$20 billion in spending cuts. Huge

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budget gaps remain. In his 2005–2006 budget, Governor Arnold Schwarzenegger has proposed several billion dollars of cuts in state education spending, employee compensation, pension funding, and other items, while proposing to borrow \$2.7 billion in bond markets.

While the state is not yet back to the job levels of early 2001, considerably recovery has now occurred. With lingering weakness in technology worldwide, the number of jobs in California's information sector has steadily declined until perhaps stabilizing recently. Manufacturing is also depressed. Professional and business services have resumed growth, and areas like health care and tourism have remained relatively healthy throughout the recent recession and recovery. Real personal income is estimated to have grown by about 3% in 2004. The unemployment rate has edged down to 5.8%.

Prospects for the California economy are for moderate but unexceptional growth, with weakness continuing in key sectors. The State Department of Finance sees nearly 3% real personal income growth this year, on par with 2004 performance. That estimate may be on the high side, and growth in the mid-2% range is possible. Unless there is a dramatic acceleration nationally, it is likely that this sub-par growth will continue into 2006. Some job gains will be seen, however, in the 1.7–1.9% range.

Japan's Economic Prospects

Like the U.S., the Japanese economy slowed in the second quarter of 2004, after an impressive first quarter. According to revised estimates released last week along with the first preliminary estimate of fourth quarter activity, real gross domestic product contracted slightly for three consecutive quarters beginning in the second quarter of last year. Nevertheless, forward-looking indicators suggest a resumption of growth in the 2–2.5% range for the next several years. This is close to Japan's rate of potential growth now that the country's population is beginning to decline.

Like Hawai'i, Japan suffered through a decade of slow growth during the 1990s. Following the collapse of Japan's bubble economy in 1991, the country struggled to emerge from its most persistent slump since World War II. After expanding at about a 4% rate through the 1980s, real GDP grew only 1% on average in the 1990s. There were a number of cyclical recoveries, notably in 1995–96 and again in 1999, but the economy repeatedly faltered. Even poorer economic performance would have been likely were it not for exceptionally stimulative fiscal policy for much of the decade. Among the factors that retarded Japanese recovery in the 1990s were banking system weakness, inconsistent macroeconomic policy and periods of unfavorable external conditions.

The Japanese economy slid back into recession along with the global economy in 2001. That recession was relatively mild, and growth resumed in the second quarter of 2003. The world's second largest economy grew for seven consecutive quarters, until slowing last spring.

After expanding at a nearly 6% annual rate in 2003:Q4 and 2004:Q1, real gross domestic product shrank at a 0.9% average annual rate the following two quarters, and was essentially flat in the fourth quarter. The economy managed its best annual GDP growth (2.6%) since 1996, but of course all of this occurred in the first quarter.

These figures reflect a substantial downward revision of real GDP growth for the first part of the year, compared with previous releases. Most (but not all) of the downward revision reflects changes in measures price inflation as the government has moved from traditional fixed-weighted price indices to the use of chain-weighted indices. (The U.S. made this change several years ago.) Because the new methodology has reduced the rate of price *deflation*, it has resulted in smaller estimates of real GDP growth.

Consumption spending, which was very buoyant at the end of 2003 and early 2004, also slowed in the spring of last year and turned down in the second half. After two quarters of 4% or better gains,

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consumption decelerated, and it declined at a 1.2% rate in the fourth quarter.

Residential investment has been a strong point over the past year, expanding at a 4–5% rate. Non-residential investment was very strong in the second quarter, but has slowed since then. This is significant, since investment was the primary driver of the recovery early on.

Export growth has slowed, and imports have surged, in part because of the strong yen (we return to this issue below). The public sector has become a substantial drag on the economy, with government investment running 12–16% behind the levels of the previous year in recent quarters as the government struggles to restrain huge fiscal deficits.

Industrial production had been on a generally uphill path since the beginning of 2002, but it has been flat for much of the past year.

Despite the mild contraction experienced by Japan over the last nine months, prospective indicators suggest a resumption of moderate growth this year. The general business climate remains relatively healthy. The December *Tankan* index of business confidence remained in positive territory with the proportion of firms expecting improved conditions outnumbering those expecting weaker conditions by 12 percentage points among large enterprises. This was only a slight reduction from the September survey. Corporate profits are running 17% above year-earlier levels at the same firms. The situation for small and medium size firms is more problematic, reflected in negative confidence indices for these companies.

Expectations about investment spending have held up rather well as other economic drivers slowed over the course of 2004. This has been particularly pronounced for manufacturing firms, who raised their estimate of fiscal 2004 spending from about 8% to more than 23% as the year progressed. Machinery orders, which had fallen in October, were up 20% in November. So business spending continues to be a promising aspect of the economy.

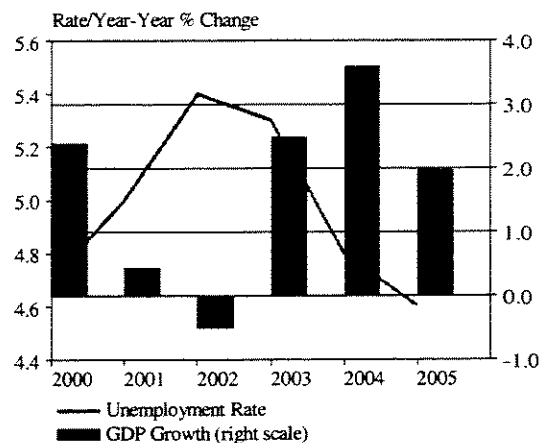


Figure 17: Japan real GDP growth and unemployment rate

The U.S. Conference Board's index of leading economic indicators for Japan rose marginally in December after a slight decline in November. The index has been flat to slightly rising over the past year.

Consumers also remain optimistic about economic prospects. The consumer confidence index fell slightly in December, but remains at the highest level since 1996. Progress in reducing the unemployment rate and better profit prospects for firms appears to be giving households more confidence in their economic security.

Early this year, Japanese monetary policy was focused on preventing further appreciation of the yen, which could stagger Japanese exports. Reportedly the Bank of Japan spent about 15 trillion yen (nearly \$150 billion) in the first quarter of the year to hold the yen down. The Bank has been less active in the markets since mid-year, and the yen's value has continued to strengthen further, averaging about 103 yen/dollar in January, its strongest level since late 1999.

The Bank of Japan's concern about the yen reflects continuing concerns about price deflation. A stronger yen would put more downward pressure on prices, which have been falling on average for five years now. Price deflation has been damaging to

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the Japanese economy because it undermines corporate profits, slashes property values and stock portfolios, increases real debt burdens and delays spending. Measured by the gross domestic product deflator, prices fell 2.6% in 2003. Consumer price deflation slowed to 0.3% last year, a promising sign. The strong yen works against this by holding down non-oil import prices. With continuing recovery and the more aggressive monetary stance we have seen recently, prices in Japan should stop falling by the end of this year.

We expect growth of 2.0% for the Japanese economy in 2005, with growth remaining in the 2–2.5% range for the next several years. Japan's labor market has been making steady improvement, and we expect the unemployment rate to trend down to 4.2% by 2007. With the overall population soon to begin declining, there is little prospect of a more robust growth path in the near term.

On the structural front, there has been progress reducing Japan's huge stock of non-performing loans, partly as a result of government policy but more importantly because of rising stock prices that have improved credit worthiness. The government budget deficit continues to be among the highest of developed countries. The government budget deficit has been running at a rate of 7–8% of GDP now for six years, and it has accumulated debt of more than 150% of GDP (more than double the upper limit set by the Euro Zone countries).

The government now appears to be preparing the public for tax increases that would begin in 2007. These would include both an end to income tax cuts enacted in 1999 and increases in the consumption tax. While fiscal restraint will be needed at some point, there is also the risk that tax increases and spending restraint could derail the current expansion as they did in 1997.

Outlook for the Rest of the World

The global business cycle likely peaked in 2004, but healthy growth is expected to continue in 2005. Unlike past business cycle expansions, China has

joined the U.S. as an important engine for global growth.

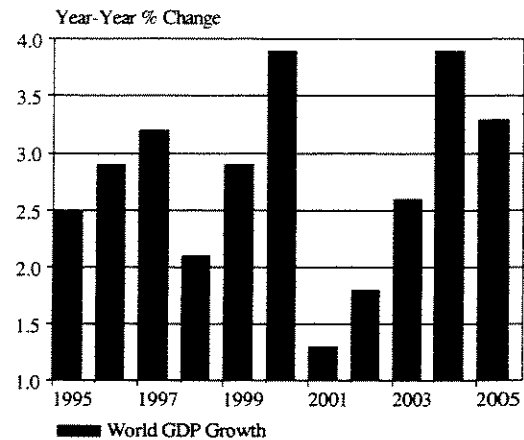


Figure 18: Global Real Output Growth

Growth is expected to remain strong for East Asia in 2005, but with some slowing from the 2004 pace. This is due partly to modest slowing in China and the limited growth outlook for Japan, but also to signs of a slowdown in the electronics sector. We expect the South and East Asian region to grow 5.3% in 2005, after a 5.5% performance in 2004. China will continue to see growth in the 9% range.

Western Europe struggled last year to maintain a modest recovery. Both Germany and France experienced growth in the 2.0–2.5% range, and they are unlikely to strengthen further in 2005. Both investment and consumption are languishing, in part because of fiscal restraint needed to prevent deficits from moving too far above the 3% of GDP limit imposed under the EMU's Stability and Growth Pact. The relentless rise in the euro has also acted as a significant drag on the euro zone economies. Growth for the European Union as a whole managed 2.3% last year year, and a similar performance is expected in 2005.

Overall, gross world product, the broadest measure of global economic activity, finished 2004 nearly 4% higher than 2003, but will slow to 3.3% growth in 2005.

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Long-Run Projections

duction in the labor force participation rate.

Forecast for the U.S. Economy

Employment. UHERO projects that employ-

Growth in real GDP in the longer term reflects the net impact of demographic factors, changes in labor force participation and productivity growth.

The current UHERO forecast for overall U.S. economic growth is shown below. After the present period of cyclical strength, which will generate above-average growth for several years, real GDP is expected to grow in the 2-3% range over the forecast horizon, with slowing growth as time goes on, principally because of demographics.

Population. Population projections are consistent with the United Nations Population Division's "medium" projection.⁴ This projection is based on assumptions about fertility, mortality and immigration. Fertility rates in the United States will fall slightly from the current level of 2.11 per woman upon completion of child bearing to 2.03 in 2020-2025. Mortality rates continue to improve with life expectancy for men and women rising steadily from 74.3 and 79.9 years currently to 76.5 and 82.4 years respectively in 2020-2025. Net immigration is estimated to fall slightly from 1,200,000 persons annually to 1,100,000 in 2020-2025. The U.S. population is projected to grow 0.9% a year through 2025, down from the 1.0% pace of the last 25 years.

Labor Force. Labor force projections are taken from the Bureau of Labor Statistics (BLS).⁵ The labor force is projected to grow 0.7% per year through 2025, down from the 1.4% pace of the last 25 years. The driving forces behind this slowdown are the reduction in population growth and dynamics in the labor force participation rate. The labor force participation rate will reach its peak in 2011 at 67.3%, up from 66.2% in 2003, but will then steadily drop to 63.5% in 2025. Slowing growth of the labor force participation rate of women and continuing aging of the overall population account for the long-term re-

ment growth will also decelerate from the 1.4% rate of growth in the past 25 years to 0.7% in the next 20 years. The deceleration is due to the reduction of the labor force and trends in the unemployment rate. We project that the unemployment rate will move to its natural rate of unemployment of 5% over the next four years as the U.S. economy continues its cyclical recovery. We assume that average hours per week remains constant over the projection period.

Productivity. Changes in productivity are among the most difficult long-term factors to forecast. In particular, there is considerable uncertainty whether recent improvements in productivity will persist over the course of the next two decades. We have adopted modestly optimistic assumptions. Jorgenson, Ho and Stiroh's (2002) labor productivity projections are used to make our long-term projections for the United States.⁶ The authors project that labor productivity will increase by 2.21% in the next decade. We assume comparable growth for the following decade. This is lower than the labor productivity of 2.7% per year during the 1996-2000 period, but faster than the 1.6% average gain of the post-1973 period. As the labor productivity numbers are for the non-farm business sector, excluding government, housing and farm sectors, we adjust the labor productivity to incorporate these sectors. This implies that GDP productivity grows by 2.01% between 2005 and 2025. Given the difficulty of projecting long-run productivity and the importance of productivity growth in determining long-term economic growth, the impact of high and low productivity growth scenarios is discussed below.

Real GDP. Consistent with the projected lower employment growth and constant productivity growth, real trend GDP growth in the United States is expected to slow over the next two decades. Real GDP on average grew by 2.9% in the last 25 years. In the next 20 years, it is projected to grow at a 2.6%

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annual rate. Real GDP per person, a more appropriate indicator of living standards, is also expected to grow more slowly, but is not expected to decline to the same extent as the growth rate of real GDP. Real GDP per person grew by 1.9% in the last 25 years, and is projected to grow by 1.8% in the next two decades.

Monetary Policy. In the UHERO long-term trend forecast, monetary policy assumptions are more important in determining the inflation rate than the level of output. We assume that the Federal Reserve is able to target CPI inflation at 2.5%. This is roughly consistent with recent Philadelphia Federal Reserve forecasts of 10-year inflation expectations (2.4%).

Forecast for the Japanese Economy

As mentioned above, Japan's weak performance over the past decade is in part a reflection of structural problems that have held back growth. Japan has finally begun to make strides in dealing with some of these problems, in particular reducing the

level of 1.32 per woman to 1.49 in 2020-2025. Mortality rates also continue to improve with life expectancy for men and women steadily rising from 77.9 and 80.8 years currently to 85.1 and 89.4 years respectively in 2020-2025. Net immigration is estimated to remain constant during the projection period at a tiny 54,000 annually. Based on these assumptions, the Japanese population is expected to reach its maximum in 2009 and then start declining. This implies that population will decline at a 0.2% annual average rate for the 2005-2025 period, down from the 0.4% growth of the last 25 years. The population will be shrinking at a 0.4% rate by the end of the forecast horizon.

Labor Force. Labor force projections are provided by Ogawa.⁷ The labor force is expected to decline 0.5% per year through 2025, down from the 0.7% annual growth of the last 25 years. The driving forces behind this slowdown are reductions in population growth and the labor force participation rate. The labor force participation rate has been declining steadily for the past 45 years due to a decline in the proportion of young people in the labor force, an

outstanding stock of bad debt. Genuine structural change such as opening Japan's markets to outside competition, decreasing the size and complexity of the bureaucracy, and truly liberalizing the financial sector will require more time. As this progress continues, we expect the economy to only gradually re-

increase in the proportion of retired people and an increased wealth effect. The labor force participation rate currently stands at 61% and will gradually decline to 55% in 2025.

Employment. UHERO projects that Japanese

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is projected to be identical to that of the United States (2.01%). An important implication is that relative differences in the long-run GDP projections of the United States and Japan are entirely driven by demographic trends. Note that this implies a closing of the productivity growth gap that has favored Japan in the post-war period. There are a number of reasons why we can expect this. First, Japan has now caught up with Western Europe and the United States. Second, Japan has belatedly started to transition from manufacturing to services. Third, persistent structural problems retard productivity growth.

Monetary Policy. In the UHERO long-term trend forecast, monetary policy assumptions are more important in determining the inflation rate than the level of output. We assume that after a transition period the Bank of Japan is able to achieve CPI inflation at 1.5%. In addition, declining population will create a relative demand shortfall in the country that will keep the inflation rate lower than the United States.

Fiscal Policy. Japan's fiscal situation—already alarming in the short-run—continues to look grim in the long run. Population aging and population decline is expected to crumble the Japanese tax base, and may portend a fiscal emergency as pension and health bills come due for its aging generation. If the situation does not improve, the resulting huge public debt is expected to sharply increase Japanese interest rates, continue to lower Japan's international creditworthiness, and adversely affect the welfare of future generations. Nevertheless, our view is that fiscal rebalancing can be successfully achieved over the next decade but with a reduction in the role of public demand in the Japanese economy.

Real Exchange Rate. At about 105 yen/dollar, we believe Japan's nominal exchange rate may be slightly below its short-run equilibrium value, but we do not expect any substantial retreat in the near term. For the longer term, we expect just enough yen appreciation (about 1% per year) to keep the *real* exchange rate constant. (The real exchange rate is the yen/dollar rate of exchange adjusted for differences in national inflation rates.)

This represents a departure from the trend of real appreciation that Japan has experienced since the 1970s. As the population ages, savings will decline relative to investment obviating the need to appreciate and close the current account gap. With a stable long run real exchange rate, the nominal yen/dollar rate will appreciate as a reflection of inflation differences between the two countries.

V. ALTERNATIVE SCENARIOS

Alternative scenarios were prepared for O'ahu and the State economy to provide a range of plausible paths for the local economy over the coming two decades. These scenarios are based in part on optimistic and pessimistic forecast alternatives for the U.S. and Japanese economies. Additional assumptions were made about key aspects of the local economy. While the high and low scenarios presented may be useful guides to forecast uncertainty, neither is considered to be as likely to occur as the baseline forecast.

The optimistic national forecasts for the United States and Japan assume a faster average rate of

ferences in trend performance follow from different demographic and productivity assumptions.

Population. Demographic assumptions used for the baseline scenarios are consistent with the United Nations Population Division's "medium variant" projection, while the UN "high variant" is chosen for the optimistic forecast, and the UN "low variant" is adopted for the pessimistic one. The main difference between the variants is the assumption on fertility. The high variant assumes that the U.S. population will grow more quickly and the low variant assumes that the population will grow more slowly than the medium variant because of differences in fertility rates. The net result is that annual population growth averages 1.1% per year in the opti-

economic growth than in the baseline scenario. The two economies in the short-run expand more rapidly than in the baseline scenario, while long-run employment and productivity grow more quickly. This allows the United States and Japan to return faster to potential output and allows for their potential output paths to rise faster as well.

The pessimistic national forecasts assume that persistently high energy prices feed through to greater-than-anticipated acceleration in U.S. inflation, prompting defensive action by the U.S. Federal Reserve. As a result, inflation is higher and growth lower in the near term in this scenario, compared with the baseline. In addition, long-run employment and productivity growth is slower than the baseline trend.

Forecasts for the U.S. Economy

The optimistic and pessimistic projections for overall U.S. economic growth are shown below. In the optimistic scenario, the current expansionary phase is more robust than in the baseline. Output growth is near 4% this year and next, and it remains somewhat higher than the baseline for the remainder of the decade. In the pessimistic scenario, decisive action by the Fed this year leads to much

mistic scenario, and only 0.7% per year in the pessimistic one (baseline has 0.9% growth). By the end of the forecast interval, U.S. population rises from 294 million in 2003 to 375 million under the optimistic projection and 341 million under the pessimistic one. This compares to 358 million people at the end of the forecast period under the baseline scenario.

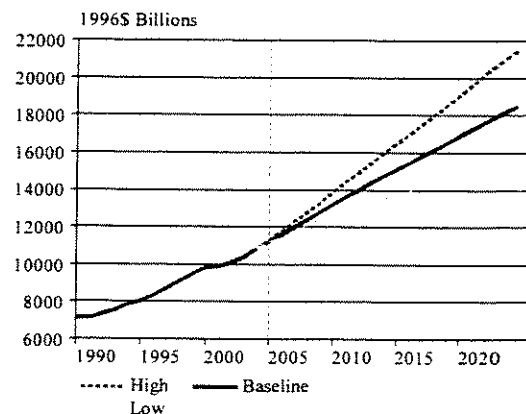


Figure 19: U.S. Real GDP

Labor Force and Employment. Varying fertility rates have a marginal impact on the labor force numbers in our projection period. Labor force is defined to be civilian noninstitutional population older

We do assume a somewhat lower steady state rate of unemployment in the high scenario, with unemployment converging to 4% by 2015. This creates some additional employment growth for the next decade, but not in the long run. (The *level* of employment is of course permanently higher.) In the low scenario, we have unemployment remaining at or above 5% throughout the forecast horizon.

Because of the very small differences in labor force across the baseline and alternative scenarios, the net differences in employment growth are also small. Employment will grow 0.8% per year on average in the high scenario. After rounding, employment in the low and baseline scenarios is projected to grow 0.7%.

Productivity. We use Jorgenson, Ho and Stiroh's (2002) optimistic and pessimistic labor productivity numbers to calculate the productivity numbers for the high-low scenarios. In the optimistic scenario, it is assumed that the productivity patterns of the 1995-2000 "New Economy" period will persist during the forecast period. In that case, labor productivity is projected to be 2.93% per year (2.73% on a GDP basis). In the pessimistic scenario, it is assumed that labor productivity reverts to the "pre-New Economy" 1973-1995 averages. Labor productivity is then projected to be 1.33% (1.13% on a GDP basis).

Real GDP. In the optimistic scenario, real GDP growth averages 3.5% in the projection period, 0.8% higher than in the baseline and 0.4% higher than the actual average rate of growth since 1970. In the pessimistic scenario, real GDP growth is projected to be 1.8%, significantly lower than the historical average.

Inflation. In the optimistic scenario we assume that the Federal Reserve Board is able to maintain better control over inflationary pressure so that annual inflation averages 2%. This is lower than the baseline forecast of 2.5%. In the pessimistic scenario, inflation control is poorer throughout the projection period and converges to 3.5%.

Forecasts for the Japanese Economy

Population. Population differences in the United Nations high and low population scenarios are very small, and so we have simply assumed the same population path in all three cases. Population growth turns negative in 2011 and is falling at a 0.4% annual rate by the out years of the forecast. The total Japanese population falls from about 128 million today to about 123 million by 2025. Employment declines in all three scenarios by an average 0.5% per year. The labor force is also common across high, base, and low scenarios, with an average annual decline of 0.5%.

As for the U.S., we assume a somewhat lower steady state rate of unemployment in the high scenario, with unemployment converging to 3.8% by 2010, compared with a 4% trend rate in the baseline. This raised the level of employment slightly and leads to slightly higher employment growth rates during the next five years. In the low scenario, we have unemployment converging to 4.5% by 2008.

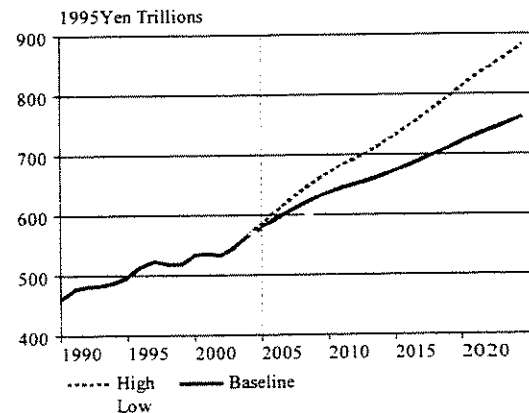


Figure 20: Japan Real GDP

Because of the very small differences in labor force across the baseline and alternative scenarios, the net differences in employment growth are negligibly small. Employment declines at approximately a 0.5% rate in each case.

Productivity. We assume that GDP productivity for the Japan economy in the various scenar-

V. ALTERNATIVE SCENARIOS

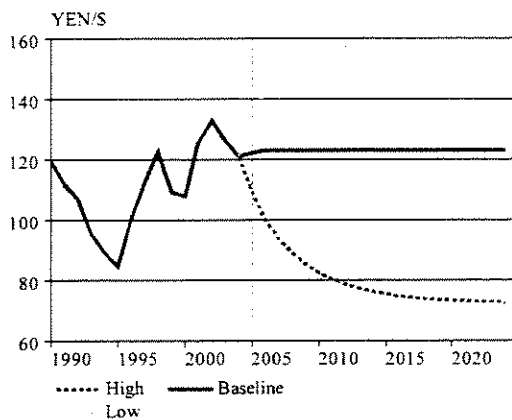


Figure 21: Yen/Dollar Real Exchange Rate

ios is identical to GDP productivity in the United States. This implies that differences in the long-run GDP projections about the U.S. and Japanese economy are driven entirely by demographic trends. In the optimistic scenario, labor productivity (on a GDP basis) is projected to be 2.73%. In the pessimistic scenario, labor productivity is projected to be 1.13%.

Real GDP. In the optimistic scenario, real GDP growth averages 2.2%. In the pessimistic scenario, real GDP growth averages 0.6%. In the baseline, real GDP growth was 1.5%.

Inflation. We assume no differences in the long-run inflation of Japan. In all cases inflation converges to 1.5% by 2007 and remains at that rate thereafter.

Real Exchange Rate. In the optimistic scenario, the real (inflation adjusted) exchange rate is assumed to appreciate 10% this year and 8% next year, before continuing a path of gradual appreciation averaging 2.4% over the 21-year period. In the low scenario, the yen weakens 10% this year and a cumulative 26% over five years, reflecting the weaker Japanese economy. Depreciation continues at a slower rate thereafter and averages 1.2% annual depreciation over the forecast horizon. Recall that in the baseline after limited near-term weakness, the real exchange rate maintains a constant level near the current rate. Nominal exchange rates

(not shown) have a somewhat different path because they also reflect differences in inflation rates in the alternative scenarios.

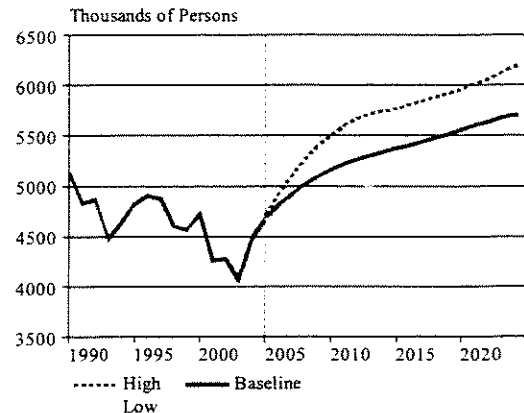


Figure 22: Total Visitor Arrivals, O'ahu

O'ahu

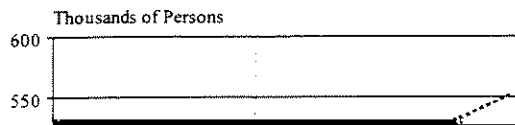
There are some additional assumptions we have made regarding developments on O'ahu. On the population side, more optimistic assumptions about birth rates and the environment for in-migration lead to more population growth, with an opposite set of assumptions in the low scenario. The resulting population forecasts are described below.

In addition, to tie down O'ahu's short-term growth path it is necessary to make explicit assumptions about the pace of visitor growth, particularly of recovery on the Japanese side. In part differing visitor paths will emerge in the model as a result of the different macroeconomic paths we assume. But to the extent that lingering Japanese weakness results instead from the aftermath of SARS and security concerns the recovery may be driven largely by non-economic factors. So explicit assumptions about Japanese travel recovery must be made.

For the high scenario, we assume that Japanese arrivals rise 9% this year and more than 7% in 2006 and 2007, bringing the number of visitors above its 1999 level in 2007 and near its historical peak by the end of the decade. More robust growth in

V. ALTERNATIVE SCENARIOS

the out years brings the number of Japanese visitors to O'ahu above 2.2 million by 2025. The baseline forecast, in comparison, sees the number of Japanese visitors remaining substantially below the historical peak throughout the forecast horizon. The low scenario sees 5% Japanese visitor recovery this year, but then little additional growth until the final decade of the forecast period.



The alternative U.S., international and Japanese assumptions, as well as the differing assumptions about O'ahu demographic forces and short-run visitor recovery lead to very different forecast paths for the O'ahu economy over the long run.

The primary channel of transmission for external developments is visitor arrivals. Under the optimistic scenario, total visitors to O'ahu average 1.6% growth over the 21-year period 2005-2025, a jump from 4.5 million visitors to 6.3 million. This compares to 1.2% and 0.9% average growth rates for the baseline and pessimistic cases respectively over the

V. ALTERNATIVE SCENARIOS

scenario. In levels, the high scenario predicts an additional 186,000 residents by the end of the forecast cycle, while in the baseline and pessimistic scenarios, the estimates are 161,000 and 91,000, respectively.

Differences in employment, population and the wage environment generate differing rates of income growth in the alternative scenarios. In the high scenario, O'ahu real personal income grows at an average rate of 2.8% for the five year period ending in 2000 compared with 2.3% in the baseline and

1.8% in the low scenario. For the entire twenty-one year period, the average growth rates are 2.1%,

**TABLE 1: MAJOR ECONOMIC INDICATOR SUMMARY
2005 STATE OF HAWAII LONG-TERM FORECAST**

	2001	2002	2003	2004	2005
Non-Farm Jobs (000's)	555.0	556.8	567.7	581.7	594.0
% Change	0.7	0.3	2.0	2.5	2.1
Total Population (000's)	1,222.0	1,234.5	1,248.8	1,262.8	1,283.1
% Change	0.8	1.0	1.2	1.1	1.6
Total Personal Income (Mil\$)	35,039.3	36,758.8	38,469.5	40,885.1	43,573.6
% Change	1.7	4.9	4.7	6.3	6.6
Inflation Rate, Honolulu MSA (%)	1.2	1.0	2.3	3.5	3.8
Real Personal Income (Mil 82-84\$)	19,640.7	20,393.1	20,855.5	21,424.5	21,982.1
% Change	0.5	3.8	2.3	2.7	2.6
Real Per Capital Income (000's 82-84\$)	16.0	16.4	16.6	17.0	17.1
% Change	-0.5	2.5	0.9	2.3	1.0
TOURISM SECTOR DETAIL					
Total Visitors (000's)	6,303.7	6,389.1	6,345.2	6,892.5	7,147.8
Japanese Visitors (000's)	1,528.6	1,483.1	1,323.8	1,477.6	1,565.9
U.S. Visitors (000's)	3,960.2	4,069.5	4,188.9	4,538.3	4,681.8
% Change - Total Visitors	-9.3	1.4	-0.7	8.6	3.7
% Change - Japanese Visitors	-15.9	-3.0	-10.7	11.6	6.0
% Change - U.S. Visitors	-4.5	2.8	2.9	8.3	3.2
Avg. Length of Stay (Days)	9.2	9.4	9.8	9.1	8.8
Avg. Daily Census (000's)	158.4	164.5	169.6	171.1	172.9
% Change	-6.1	3.9	3.1	0.9	1.0
Total Room Stock (000's)	72.2	70.8	71.0	71.9	72.3
% Change	1.0	-2.0	0.3	1.3	0.5

**TABLE 1: MAJOR ECONOMIC INDICATOR SUMMARY
2005 STATE OF HAWAII LONG-TERM FORECAST (Cont'd)**

	2006	2007	2008	2009	2010
Non-Farm Jobs (000's)	603.4	612.4	620.5	628.7	636.3
% Change	1.6	1.5	1.3	1.3	1.2
Total Population (000's)	1,304.3	1,319.4	1,333.0	1,346.4	1,359.5
% Change	1.7	1.2	1.0	1.0	1.0
Total Personal Income (Mil\$)	46,339.0	49,050.9	51,586.8	54,057.8	56,549.4
% Change	6.3	5.9	5.2	4.8	4.6
Inflation Rate, Honolulu MSA (%)	3.6	3.5	3.0	2.7	2.6
Real Personal Income (Mil 82-84\$)	22,566.2	23,081.2	23,566.7	24,039.1	24,510.8
% Change	2.7	2.3	2.1	2.0	2.0
Real Per Capital Income (000's 82-84\$)	17.3	17.5	17.7	17.9	18.0
% Change	1.0	1.1	1.1	1.0	1.0
TOURISM SECTOR DETAIL					
Total Visitors (000's)	7,359.9	7,515.4	7,653.4	7,774.5	7,884.6
Japanese Visitors (000's)	1,648.4	1,708.4	1,755.8	1,791.6	1,817.8
U.S. Visitors (000's)	4,783.8	4,848.0	4,906.7	4,959.5	5,010.1
% Change - Total Visitors	3.0	2.1	1.8	1.6	1.4
% Change - Japanese Visitors	5.3	3.6	2.8	2.0	1.5
% Change - U.S. Visitors	2.2	1.3	1.2	1.1	1.0
Avg. Length of Stay (Days)	8.7	8.7	8.6	8.6	8.6
Avg. Daily Census (000's)	175.8	178.2	180.7	183.0	185.1
% Change	1.7	1.4	1.4	1.3	1.2
Total Room Stock (000's)	72.6	73.2	73.9	74.6	74.9
% Change	0.5	0.8	1.0	0.9	0.5

TABLE 1: MAJOR ECONOMIC INDICATOR SUMMARY
2005 STATE OF HAWAII LONG-TERM FORECAST (Cont'd)

	2011	2012	2013	2014	2015
Non-Farm Jobs (000's)	643.5	650.4	657.0	663.5	669.9
% Change	1.1	1.1	1.0	1.0	1.0
Total Population (000's)	1,372.4	1,384.7	1,396.7	1,408.2	1,419.4
% Change	0.9	0.9	0.9	0.8	0.8
Total Personal Income (Mil\$)	59,088.2	61,692.3	64,401.3	67,210.4	70,145.0
% Change	4.5	4.4	4.4	4.4	4.4
Inflation Rate, Honolulu MSA (%)	2.5	2.5	2.5	2.6	2.6
Real Personal Income (Mil 82-84\$)	24,976.2	25,433.8	25,893.4	26,348.1	26,804.7
% Change	1.9	1.8	1.8	1.8	1.7
Real Per Capital Income (000's 82-84\$)	18.2	18.4	18.5	18.7	18.9
% Change	0.9	0.9	0.9	0.9	0.9
TOURISM SECTOR DETAIL					
Total Visitors (000's)	7,989.1	8,082.2	8,171.3	8,253.0	8,336.7
Japanese Visitors (000's)	1,836.4	1,847.6	1,852.0	1,855.5	1,860.8
U.S. Visitors (000's)	5,062.1	5,109.4	5,158.7	5,200.9	5,242.5
% Change - Total Visitors	1.3	1.2	1.1	1.0	1.0
% Change - Japanese Visitors	1.0	0.6	0.2	0.2	0.3
% Change - U.S. Visitors	1.0	0.9	1.0	0.8	0.8
Avg. Length of Stay (Days)	8.6	8.5	8.5	8.5	8.5
Avg. Daily Census (000's)	187.2	189.0	190.7	192.3	193.8
% Change	1.1	1.0	0.9	0.8	0.8
Total Room Stock (000's)	75.4	75.8	76.2	76.5	76.8
% Change	0.6	0.6	0.5	0.5	0.4

TABLE 1: MAJOR ECONOMIC INDICATOR SUMMARY
2005 STATE OF HAWAII LONG-TERM FORECAST (Cont'd)

	2016	2017	2018	2019	2020
Non-Farm Jobs (000's)	676.1	682.3	688.5	694.6	700.9
% Change	0.9	0.9	0.9	0.9	0.9
Total Population (000's)	1,430.5	1,441.6	1,452.7	1,463.8	1,475.0
% Change	0.8	0.8	0.8	0.8	0.8
Total Personal Income (Mil\$)	73,202.4	76,414.9	79,796.9	83,356.7	87,102.2
% Change	4.4	4.4	4.4	4.5	4.5
Inflation Rate, Honolulu MSA (%)	2.6	2.6	2.7	2.7	2.7
Real Personal Income (Mil 82-84\$)	27,260.4	27,725.5	28,202.6	28,691.2	29,189.1
% Change	1.7	1.7	1.7	1.7	1.7
Real Per Capital Income (000's 82-84\$)	19.1	19.2	19.4	19.6	19.8
% Change	0.9	0.9	0.9	1.0	1.0
TOURISM SECTOR DETAIL					
Total Visitors (000's)	8,416.4	8,499.1	8,586.1	8,674.8	8,771.1
Japanese Visitors (000's)	1,867.2	1,874.8	1,885.1	1,895.6	1,912.3
U.S. Visitors (000's)	5,278.4	5,315.2	5,352.9	5,391.3	5,430.2
% Change - Total Visitors	1.0	1.0	1.0	1.0	1.1
% Change - Japanese Visitors	0.3	0.4	0.6	0.6	0.9
% Change - U.S. Visitors	0.7	0.7	0.7	0.7	0.7
Avg. Length of Stay (Days)	8.5	8.4	8.4	8.4	8.4
Avg. Daily Census (000's)	195.2	196.6	198.1	199.6	201.3
% Change	0.7	0.7	0.8	0.8	0.8
Total Room Stock (000's)	77.1	77.4	77.7	77.9	78.1
% Change	0.4	0.4	0.3	0.3	0.3

**TABLE 1: MAJOR ECONOMIC INDICATOR SUMMARY
2005 STATE OF HAWAII LONG-TERM FORECAST (Cont'd)**

	2021	2022	2023	2024	2025
Non-Farm Jobs (000's)	707.3	713.6	720.0	726.2	732.3
% Change	0.9	0.9	0.9	0.9	0.8
Total Population (000's)	1,486.1	1,496.9	1,507.6	1,518.0	1,528.3
% Change	0.7	0.7	0.7	0.7	0.7
Total Personal Income (Mil\$)	91,069.5	95,228.9	99,566.3	104,073.1	108,747.7
% Change	4.6	4.6	4.6	4.5	4.5
Inflation Rate, Honolulu MSA (%)	2.7	2.8	2.8	2.7	2.7
Real Personal Income (Mil 82-84\$)	29,704.0	30,227.7	30,758.5	31,294.9	31,836.5
% Change	1.8	1.8	1.8	1.7	1.7
Real Per Capital Income (000's 82-84\$)	20.0	20.2	20.4	20.6	20.8
% Change	1.0	1.0	1.0	1.0	1.0
TOURISM SECTOR DETAIL					
Total Visitors (000's)	8,870.3	8,957.6	9,058.1	9,145.9	9,234.3
Japanese Visitors (000's)	1,930.3	1,935.3	1,951.1	1,952.3	1,951.9
U.S. Visitors (000's)	5,469.9	5,510.0	5,551.5	5,594.0	5,637.9
% Change - Total Visitors	1.1	1.0	1.1	1.0	1.0
% Change - Japanese Visitors	0.9	0.3	0.8	0.1	0.0
% Change - U.S. Visitors	0.7	0.7	0.8	0.8	0.8
Avg. Length of Stay (Days)	8.4	8.3	8.3	8.3	8.3
Avg. Daily Census (000's)	203.0	204.5	206.2	207.7	209.2
% Change	0.8	0.7	0.8	0.7	0.7
Total Room Stock (000's)	78.3	78.5	78.7	78.9	79.0
% Change	0.3	0.2	0.2	0.2	0.2

**TABLE 2: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HONOLULU COUNTY LONG-TERM FORECAST**

	2001	2002	2003	2004	2005
Non-Farm Jobs (000's)	412.5	412.9	419.7	429.6	439.0
% Change	0.1	0.1	1.6	2.4	2.2
Total Population (000's)	880.4	888.1	896.3	905.4	920.4
% Change	0.6	0.9	0.9	1.0	1.7
Total Personal Income (Mil\$)	26,832.5	28,067.4	29,474.5	31,350.9	33,393.7
% Change	0.9	4.6	5.0	6.4	6.5
Inflation Rate, Honolulu MSA (%)	1.2	1.0	2.3	3.5	3.8
Real Personal Income (Mil. 82-84\$)	15,040.6	15,571.4	15,979.7	16,423.5	16,847.5
% Change	-0.3	3.5	2.6	2.8	2.6
Real Per Capital Income (000's 82-84\$)	17.1	17.6	17.8	18.1	18.3
% Change	-0.8	2.9	1.3	1.8	0.9
TOURISM SECTOR DETAIL					
Total Visitors (000's)	4,257.5	4,276.1	4,066.3	4,473.8	4,673.1
Japanese Visitors (000's)	1,455.9	1,431.6	1,261.1	1,415.9	1,513.4
US Visitors (000's)	2,220.1	2,228.3	2,207.2	2,398.3	2,486.1

**TABLE 2: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HONOLULU COUNTY LONG-TERM FORECAST (Cont'd)**

	2006	2007	2008	2009	2010
Non-Farm Jobs (000's)	445.2	451.1	456.5	461.9	466.9
% Change	1.4	1.3	1.2	1.2	1.1
Total Population (000's)	936.0	945.5	953.5	961.6	969.5
% Change	1.7	1.0	0.8	0.8	0.8
Total Personal Income (Mil\$)	35,543.4	37,619.1	39,564.7	41,431.1	43,290.8
% Change	6.4	5.8	5.2	4.7	4.5
Inflation Rate, Honolulu MSA (%)	3.6	3.5	3.0	2.7	2.6
Real Personal Income (Mil. 82-84\$)	17,310.1	17,702.8	18,075.3	18,424.8	18,764.6
% Change	2.7	2.3	2.1	1.9	1.8
Real Per Capital Income (000's 82-84\$)	18.5	18.7	19.0	19.2	19.4
% Change	1.0	1.2	1.2	1.1	1.0
TOURISM SECTOR DETAIL					
Total Visitors (000's)	4,813.2	4,919.4	5,015.9	5,094.3	5,159.6
Japanese Visitors (000's)	1,574.7	1,624.6	1,670.2	1,704.7	1,730.1
U.S. Visitors (000's)	2,546.6	2,581.9	2,611.5	2,635.3	2,655.8
% Change - Total Visitors	3.0	2.2	2.0	1.6	1.3
% Change - Japanese Visitors	4.0	3.2	2.8	2.1	1.5
% Change - U.S. Visitors	2.4	1.4	1.1	0.9	0.8
Avg. Length of Stay - Dom'c (Days)	7.4	7.4	7.4	7.4	7.4
Avg. Length of Stay - Int'l (Days)	5.7	5.6	5.6	5.6	5.6
Avg. Daily Census (000's)	87.2	88.4	89.7	90.8	91.8
% Change	2.1	1.4	1.5	1.2	1.1
Hotel/Motel Occupancy Rate (%)	82.0	81.8	81.6	81.3	81.4
Total Room Stock (000's)	35.7	35.9	36.4	36.9	37.2
% Change	0.0	0.4	1.5	1.5	0.6

**TABLE 2: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HONOLULU COUNTY LONG-TERM FORECAST (Cont'd)**

	2011	2012	2013	2014	2015
Non-Farm Jobs (000's)	471.5	475.8	479.9	483.9	487.8
% Change	1.0	0.9	0.9	0.8	0.8
Total Population (000's)	977.2	984.5	991.5	998.1	1,004.4
% Change	0.8	0.7	0.7	0.7	0.6
Total Personal Income (Mil\$)	45,186.9	47,144.1	49,185.2	51,301.3	53,500.4
% Change	4.4	4.3	4.3	4.3	4.3
Inflation Rate, Honolulu MSA (%)	2.5	2.5	2.5	2.6	2.6
Real Personal Income (Mil. 82-84\$)	19,100.8	19,436.7	19,776.2	20,112.0	20,444.9
% Change	1.8	1.8	1.7	1.7	1.7
Real Per Capital Income (000's 82-84\$)	19.5	19.7	19.9	20.2	20.4
% Change	1.0	1.0	1.0	1.0	1.0
TOURISM SECTOR DETAIL					
Real Personal Income (000's)	5,216.9	5,263.3	5,303.2	5,337.8	5,373.1

**TABLE 2: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HONOLULU COUNTY LONG-TERM FORECAST (Cont'd)**

	2016	2017	2018	2019	2020
Non-Farm Jobs (000's)	491.6	495.4	499.2	503.0	506.9
% Change	0.8	0.8	0.8	0.8	0.8
Total Population (000's)	1,010.5	1,016.8	1,023.1	1,029.5	1,035.9
% Change	0.6	0.6	0.6	0.6	0.6
Total Personal Income (Mil\$)	55,784.6	58,177.8	60,691.8	63,330.9	66,093.1
% Change	4.3	4.3	4.3	4.3	4.4
Inflation Rate, Honolulu MSA (%)	2.6	2.6	2.7	2.7	2.7
Real Personal Income (Mil. 82-84\$)	20,774.7	21,109.2	21,451.0	21,799.1	22,149.4
% Change	1.6	1.6	1.6	1.6	1.6
Real Per Capital Income (000's 82-84\$)	20.6	20.8	21.0	21.2	21.4
% Change	1.0	1.0	1.0	1.0	1.0
TOURISM SECTOR DETAIL					
Total Visitors (000's)	5,406.0	5,440.0	5,476.9	5,514.1	5,557.3
Japanese Visitors (000's)	1,780.2	1,787.9	1,798.3	1,808.8	1,825.2
U.S. Visitors (000's)	2,731.2	2,736.7	2,742.1	2,747.3	2,752.5
% Change - Total Visitors	0.6	0.6	0.7	0.7	0.8
% Change - Japanese Visitors	0.4	0.4	0.6	0.6	0.9
% Change - U.S. Visitors	0.2	0.2	0.2	0.2	0.2
Avg. Length of Stay - Dom'c (Days)	7.4	7.4	7.4	7.4	7.4
Avg. Length of Stay - Int'l (Days)	5.5	5.5	5.5	5.5	5.5
Avg. Daily Census (000's)	95.7	96.3	96.9	97.4	98.1
% Change	0.5	0.6	0.6	0.6	0.7
Hotel/Motel Occupancy Rate (%)	81.5	81.6	81.8	82.0	82.3
Total Room Stock (000's)	38.2	38.3	38.4	38.5	38.5
% Change	0.3	0.2	0.2	0.1	0.1

**TABLE 2: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HONOLULU COUNTY LONG-TERM FORECAST (Cont'd)**

	2021	2022	2023	2024	2025
Non-Farm Jobs (000's)	510.9	514.9	518.8	522.7	526.5
% Change	0.8	0.8	0.8	0.7	0.7
Total Population (000's)	1,042.3	1,048.5	1,054.6	1,060.5	1,066.3
% Change	0.6	0.6	0.6	0.6	0.5
Total Personal Income (Mil\$)	69,020.6	72,088.5	75,278.7	78,581.7	81,994.4
% Change	4.4	4.4	4.4	4.4	4.3
Inflation Rate, Honolulu MSA (%)	2.7	2.8	2.8	2.7	2.7
Real Personal Income (Mil. 82-84\$)	22,513.1	22,883.2	23,256.3	23,630.4	24,005.1
% Change	1.6	1.6	1.6	1.6	1.6
Real Per Capital Income (000's 82-84\$)	21.6	21.8	22.1	22.3	22.5
% Change	1.0	1.0	1.0	1.0	1.0
TOURISM SECTOR DETAIL					
Total Visitors (000's)	5,602.0	5,634.4	5,677.7	5,707.5	5,736.4
Japanese Visitors (000's)	1,843.0	1,848.3	1,863.9	1,865.6	1,865.7
U.S. Visitors (000's)	2,757.6	2,762.6	2,767.9	2,773.5	2,779.4
% Change - Total Visitors	0.8	0.6	0.8	0.5	0.5
% Change - Japanese Visitors	1.0	0.3	0.8	0.1	0.0
% Change - U.S. Visitors	0.2	0.2	0.2	0.2	0.2
Avg. Length of Stay - Dom'c (Days)	7.4	7.4	7.4	7.4	7.4
Avg. Length of Stay - Int'l (Days)	5.5	5.5	5.5	5.5	5.5
Avg. Daily Census (000's)	98.8	99.3	100.0	100.5	100.9
% Change	0.7	0.5	0.7	0.5	0.5
Hotel/Motel Occupancy Rate (%)	82.6	82.9	83.3	83.5	83.8
Total Room Stock (000's)	38.5	38.5	38.5	38.5	38.5
% Change	0.1	0.0	0.0	0.0	-0.1

**TABLE 3: JOBS (in 000's) BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST**

	2001	2002	2003	2004	2005
Total Non-Farm Jobs	412.5	412.9	419.7	429.6	439.0
% Change	0.1	0.1	1.6	2.4	2.2
Agriculture	2.3	2.0	2.1	2.3	2.3
% Change	2.0	-12.1	2.9	9.2	1.9
Construction and Mining	17.0	17.8	19.3	20.1	21.5
% Change	-2.8	4.9	8.3	4.3	6.6
Manufacturing	12.8	11.8	11.5	11.8	12.2
% Change	0.7	-8.1	-2.6	3.4	2.6
Total Trade	59.2	57.1	57.3	59.1	60.3
% Change	-0.7	-3.6	0.3	3.3	1.9
Transportation and Utilities	21.7	19.5	19.5	20.2	21.0
% Change	0.1	-10.4	0.1	3.8	3.7
Finance, Insurance and Real Estate	21.9	21.5	21.8	22.2	22.3
% Change	-7.0	-1.8	1.5	1.7	0.6
Services	188.7	191.3	195.5	200.0	204.3
% Change	1.8	1.4	2.2	2.3	2.1
Health Care and Soc. Assistance	38.8	39.7	41.0	42.3	43.7
% Change	1.8	2.1	3.4	3.2	3.1
Accommodation and Food	51.4	50.7	51.8	53.3	54.4
% Change	-1.8	-1.3	2.3	2.9	2.0
Others	98.5	101.0	102.7	104.3	106.2
% Change	3.8	2.5	1.7	1.6	1.8
Total Government	91.3	93.9	94.9	96.2	97.6
% Change	-0.4	2.9	1.0	1.4	1.5
Federal Government	28.2	28.6	29.1	29.4	29.7
% Change	-2.5	1.5	1.9	0.9	0.9
State and Local Government	63.1	65.4	65.7	66.7	67.9
% Change	0.6	3.6	0.6	1.6	1.8

**TABLE 3: JOBS (in 000's) BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST**

	2006	2007	2008	2009	2010
Total Non-Farm Jobs	445.2	451.1	456.5	461.9	466.9
% Change	1.4	1.3	1.2	1.2	1.1
Agriculture	2.3	2.3	2.3	2.3	2.3
% Change	0.2	-0.3	-0.3	-0.3	-0.3
Construction and Mining	22.6	23.3	23.7	24.2	24.6
% Change	5.1	3.2	1.9	2.2	1.4
Manufacturing	12.4	12.4	12.4	12.4	12.4
% Change	1.9	0.5	-0.1	-0.3	-0.3
Total Trade	60.5	60.9	61.3	61.6	61.9
% Change	0.4	0.6	0.6	0.5	0.5
Transportation and Utilities	21.4	21.9	22.3	22.7	23.0
% Change	2.1	2.2	1.9	1.7	1.5
Finance, Insurance and Real Estate	22.4	22.6	22.8	22.9	23.1
% Change	0.7	0.5	0.8	0.8	0.7
Services	207.4	210.6	213.8	216.9	219.9
% Change	1.5	1.6	1.5	1.4	1.4
Health Care and Soc. Assistance	44.8	46.0	47.2	48.3	49.4
% Change	2.7	2.7	2.5	2.4	2.3
Accommodation and Food	54.9	55.4	55.9	56.4	57.0
% Change	0.9	0.9	0.9	1.0	0.9
Others	107.7	109.2	110.7	112.1	113.5
% Change	1.4	1.4	1.4	1.3	1.3
Total Government	98.5	99.4	100.2	101.1	102.0
% Change	0.9	0.9	0.8	0.9	0.9
Federal Government	29.8	29.9	30.1	30.2	30.4
% Change	0.4	0.5	0.5	0.5	0.4
State and Local Government	68.7	69.4	70.1	70.9	71.6
% Change	1.2	1.0	0.9	1.1	1.0

**TABLE 3: JOBS (in 000's) BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST**

	2011	2012	2013	2014	2015
Total Non-Farm Jobs	471.5	475.8	479.9	483.9	487.8
% Change	1.0	0.9	0.9	0.8	0.8
Agriculture	2.3	2.3	2.3	2.3	2.3
% Change	-0.3	-0.3	-0.3	-0.3	-0.3
Construction and Mining	24.7	24.8	24.9	25.0	25.1
% Change	0.6	0.3	0.3	0.5	0.6
Manufacturing	12.3	12.3	12.2	12.2	12.1
% Change	-0.3	-0.4	-0.4	-0.4	-0.3
Total Trade	62.2	62.5	62.8	63.1	63.3
% Change	0.5	0.5	0.4	0.4	0.4
Transportation and Utilities	23.3	23.6	23.9	24.1	24.3
% Change	1.3	1.2	1.1	1.0	0.9
Finance, Insurance and Real Estate	23.2	23.3	23.4	23.5	23.6
% Change	0.6	0.5	0.4	0.3	0.3
Services	222.8	225.6	228.3	230.9	232.2

**TABLE 3: JOBS (in 000's) BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST**

	2016	2017	2018	2019	2020
Total Non-Farm Jobs	491.6	495.4	499.2	503.0	506.9
% Change	0.8	0.8	0.8	0.8	0.8
Agriculture	2.3	2.2	2.2	2.2	2.2
% Change	-0.3	-0.3	-0.3	-0.3	-0.3
Construction and Mining	25.3	25.5	25.7	25.9	26.1
% Change	0.7	0.8	0.8	0.8	0.9
Manufacturing	12.1	12.1	12.0	12.0	11.9
% Change	-0.3	-0.3	-0.3	-0.3	-0.3
Total Trade	63.6	63.9	64.1	64.4	64.7
% Change	0.4	0.4	0.4	0.4	0.4
Transportation and Utilities	24.5	24.7	24.9	25.1	25.3
% Change	0.8	0.8	0.8	0.8	0.8
Finance, Insurance and Real Estate	23.6	23.7	23.7	23.8	23.9
% Change	0.3	0.3	0.2	0.2	0.2
Services	235.5	237.8	240.0	242.3	244.5
% Change	1.0	1.0	0.9	0.9	0.9
Health Care and Soc. Assistance	55.2	56.1	56.9	57.7	58.5
% Change	1.6	1.6	1.5	1.4	1.4
Accommodation and Food	59.0	59.3	59.5	59.7	60.0
% Change	0.4	0.4	0.4	0.4	0.4
Others	121.3	122.5	123.6	124.8	126.0
% Change	1.0	1.0	1.0	1.0	0.9
Total Government	107.0	107.8	108.7	109.6	110.6
% Change	0.8	0.8	0.8	0.8	0.9
Federal Government	31.0	31.1	31.2	31.2	31.4
% Change	0.3	0.3	0.3	0.3	0.3
State and Local Government	76.0	76.8	77.5	78.4	79.2
% Change	1.0	1.0	1.0	1.0	1.1

**TABLE 3: JOBS (in 000's) BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST**

	2021	2022	2023	2024	2025
Total Non-Farm Jobs	510.9	514.9	518.8	522.7	526.5
% Change	0.8	0.8	0.8	0.7	0.7
Agriculture	2.2	2.2	2.2	2.2	2.2
% Change	-0.3	-0.3	-0.3	-0.3	-0.3
Construction and Mining	26.4	26.6	26.9	27.1	27.2
% Change	1.0	1.0	0.9	0.7	0.6
Manufacturing	11.9	11.9	11.8	11.8	11.7
% Change	-0.3	-0.3	-0.3	-0.3	-0.3
Total Trade	65.0	65.2	65.5	65.8	66.1
% Change	0.4	0.4	0.4	0.4	0.4
Transportation and Utilities	25.5	25.7	25.9	26.1	26.2
% Change	0.8	0.8	0.8	0.8	0.7
Finance, Insurance and Real Estate	23.9	24.0	24.0	24.1	24.1
% Change	0.2	0.2	0.2	0.2	0.2
Services	246.7	248.9	251.1	253.2	255.3
% Change	0.9	0.9	0.9	0.8	0.8
Health Care and Soc. Assistance	59.3	60.1	60.8	61.6	62.3
% Change	1.3	1.3	1.3	1.2	1.2
Accommodation and Food	60.2	60.5	60.8	61.1	61.3
% Change	0.5	0.4	0.5	0.4	0.4
Others	127.2	128.3	129.5	130.6	131.7
% Change	0.9	0.9	0.9	0.9	0.8
Total Government	111.5	112.6	113.6	114.7	115.7
% Change	0.9	0.9	0.9	0.9	0.9
Federal Government	31.5	31.6	31.7	31.9	32.0
% Change	0.4	0.4	0.4	0.4	0.4
State and Local Government	80.1	81.0	81.9	82.8	83.7
% Change	1.1	1.1	1.1	1.1	1.1

**TABLE 4: PERSONAL INCOME BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST**

	2001	2002	2003	2004	2005
Total Personal Income (Mil.S)	26,832.5	28,067.4	29,474.5	31,350.9	33,393.7
% Change	0.9	4.6	5.0	6.4	6.5
Labor & Proprietors' Income (Mil.S)	21,068.9	22,286.0	23,809.0	25,552.7	27,363.5
% Change	0.9	5.8	6.8	7.3	7.1
Agriculture	125.4	129.6	132.7	138.1	144.8
% Change	6.9	3.4	2.4	4.1	4.8
Construction and Mining	1,201.0	1,287.7	1,422.5	1,535.4	1,687.7
% Change	-5.7	7.2	10.5	7.9	9.9
Manufacturing	504.7	470.8	483.5	519.2	553.4
% Change	-20.9	-6.7	2.7	7.4	6.6
Total Trade	2,057.5	2,093.9	2,236.6	2,365.7	2,519.4
% Change	-1.6	1.8	6.8	5.8	6.5
Transportation and Utilities	1,177.8	1,111.4	1,141.5	1,223.1	1,319.8
% Change	3.1	-5.6	2.7	7.2	7.9
Finance, Insurance & Real Estate	1,347.9	1,414.2	1,493.3	1,593.9	1,707.1
% Change	-9.1	4.9	5.6	6.7	7.1
Services	7,624.9	8,023.5	8,537.3	9,198.0	9,846.8
% Change	2.1	5.2	6.4	7.7	7.1
Government	7,036.4	7,777.2	8,361.5	8,979.2	9,584.5
% Change	5.5	10.5	7.5	7.4	6.7
Less Social Security Taxes (-)	2,169.4	2,310.0	2,412.1	2,588.8	2,772.3
Transfer Payments	3,033.8	3,249.2	3,357.1	3,535.5	3,754.1
Dividends, Interest and Rent	4,911.5	4,857.1	4,720.6	4,851.4	5,048.3
Inflation Rate, Honolulu MSA (%)	1.2	1.0	2.3	3.5	3.8
Real Personal Income (Mil. 82-84\$)	15,040.6	15,571.4	15,979.7	16,423.5	16,847.5
%Change	-0.3	3.5	2.6	2.8	2.6
Total Population (000's)	880.4	888.1	896.3	905.4	920.4
% Change	0.6	0.9	0.9	1.0	1.7
Real Per Capita Income (000's 82-84\$)	17.1	17.6	17.8	18.1	18.3
% Change	-0.8	2.9	1.3	1.8	0.9

**TABLE 4: PERSONAL INCOME BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST (Cont'd)**

	2006	2007	2008	2009	2010
Total Personal Income (Mil.\$)	35,543.4	37,619.1	39,564.7	41,431.1	43,290.8
% Change	6.4	5.8	5.2	4.7	4.5
Labor & Proprietors' Income (Mil.\$)	29,253.3	30,968.6	32,561.2	34,086.3	35,597.2
% Change	6.9	5.9	5.1	4.7	4.4
Agriculture	149.8	155.5	160.4	165.0	169.4
% Change	3.5	3.8	3.2	2.8	2.7
Construction and Mining	1,811.1	1,938.2	2,049.1	2,161.5	2,265.0
% Change	7.3	7.0	5.7	5.5	4.8
Manufacturing	582.2	600.4	613.9	625.8	637.2
% Change	5.2	3.1	2.3	1.9	1.8
Total Trade	2,652.1	2,786.0	2,895.6	3,001.9	3,105.3
% Change	5.3	5.1	3.9	3.7	3.4
Transportation and Utilities	1,403.1	1,491.8	1,576.8	1,660.2	1,741.6
% Change	6.3	6.3	5.7	5.3	4.9
Finance, Insurance & Real Estate	1,799.3	1,893.3	1,991.2	2,088.8	2,186.9
% Change	5.4	5.2	5.2	4.9	4.7
Services	10,486.5	11,126.2	11,734.7	12,335.5	12,948.6
% Change	6.5	6.1	5.5	5.1	5.0
Government	10,369.2	10,977.3	11,539.4	12,047.6	12,543.2
% Change	8.2	5.9	5.1	4.4	4.1
Less Social Security Taxes (-)	2,963.7	3,137.5	3,298.9	3,453.4	3,606.4
Transfer Payments	3,993.2	4,218.1	4,425.5	4,626.2	4,823.3
Dividends, Interest and Rent	5,260.7	5,569.8	5,876.9	6,172.0	6,476.8
Inflation Rate, Honolulu MSA (%)	3.6	3.5	3.0	2.7	2.6
Real Personal Income (Mil. 82-84\$)	17,310.1	17,702.8	18,075.3	18,424.8	18,764.6
%Change	2.7	2.3	2.1	1.9	1.8
Total Population (000's)	936.0	945.5	953.5	961.6	969.5
% Change	1.7	1.0	0.8	0.8	0.8
Real Per Capita Income (000's 82-84\$)	18.5	18.7	19.0	19.2	19.4
% Change	1.0	1.2	1.2	1.1	1.0

**TABLE 4: PERSONAL INCOME BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST (Cont'd)**

	2011	2012	2013	2014	2015
Total Personal Income (Mil.S)	45,186.9	47,144.1	49,185.2	51,301.3	53,500.4
% Change	4.4	4.3	4.3	4.3	4.3
Labor & Proprietors' Income (Mil.S)	37,124.8	38,699.9	40,333.5	42,028.4	43,782.7
% Change	4.3	4.2	4.2	4.2	4.2
Agriculture	173.9	178.4	183.1	187.9	193.0
% Change	2.6	2.6	2.6	2.7	2.7
Construction and Mining	2,361.8	2,456.4	2,555.7	2,663.0	2,778.4
% Change	4.3	4.0	4.0	4.2	4.3
Manufacturing	648.4	659.8	671.6	683.9	696.9
% Change	1.8	1.8	1.8	1.8	1.9
Total Trade	3,208.1	3,311.9	3,417.6	3,526.0	3,637.8
% Change	3.3	3.2	3.2	3.2	3.2
Transportation and Utilities	1,816.8	1,889.0	1,959.7	2,029.8	2,100.1
% Change	4.3	4.0	3.7	3.6	3.5
Finance, Insurance & Real Estate	2,286.9	2,389.5	2,495.1	2,604.4	2,717.7
% Change	4.6	4.5	4.4	4.4	4.4
Services	13,583.3	14,243.0	14,930.5	15,646.1	16,389.2
% Change	4.9	4.9	4.8	4.8	4.7
Government	13,045.7	13,571.9	14,120.3	14,687.2	15,269.6
% Change	4.0	4.0	4.0	4.0	4.0
Less Social Security Taxes (-)	3,761.2	3,920.8	4,086.3	4,258.0	4,435.7
Transfer Payments	5,022.8	5,227.1	5,438.4	5,658.0	5,886.8
Dividends, Interest and Rent	6,800.6	7,137.9	7,499.5	7,872.9	8,266.7
Inflation Rate, Honolulu MSA (%)	2.5	2.5	2.5	2.6	2.6
Real Personal Income (Mil. 82-84\$)	19,100.8	19,436.7	19,776.2	20,112.0	20,444.9
%Change	1.8	1.8	1.7	1.7	1.7
Total Population (000's)	977.2	984.5	991.5	998.1	1,004.4
% Change	0.8	0.7	0.7	0.7	0.6
Real Per Capita Income (000's 82-84\$)	19.5	19.7	19.9	20.2	20.4
% Change	1.0	1.0	1.0	1.0	1.0

**TABLE 4: PERSONAL INCOME BY DETAILED SECTOR
2005 HONOLULU COUNTY LONG-TERM FORECAST (Cont'd)**

	2016	2017	2018	2019	2020
Total Personal Income (Mil.S)	55,784.6	58,177.8	60,691.8	63,330.9	66,093.1
% Change	4.3	4.3	4.3	4.3	4.4
Labor & Proprietors' Income (Mil.S)	45,604.0	47,503.2	49,487.6	51,558.6	53,708.4
% Change	4.2	4.2	4.2	4.2	4.2
Agriculture	198.2	203.6	209.2	215.0	221.0
% Change	2.7	2.7	2.7	2.8	2.8
Construction and Mining	2,901.1	3,030.3	3,165.5	3,307.5	3,458.3
% Change	4.4	4.5	4.5	4.5	4.6
Manufacturing	710.5	724.7	739.5	754.9	771.0
% Change	1.9	2.0	2.0	2.1	2.1
Total Trade	3,753.1	3,872.2	3,995.6	4,123.8	4,257.1
% Change	3.2	3.2	3.2	3.2	3.2
Transportation and Utilities	2,171.4	2,243.9	2,318.3	2,395.2	2,474.8
% Change	3.4	3.3	3.3	3.3	3.3
Finance, Insurance & Real Estate	2,835.3	2,957.6	3,084.6	3,216.7	3,354.3
% Change	4.3	4.3	4.3	4.3	4.3
Services	17,160.5	17,961.4	18,792.9	19,655.2	20,547.1
% Change	4.7	4.7	4.6	4.6	4.5
Government	15,873.9	16,509.6	17,182.0	17,890.4	18,624.9
% Change	4.0	4.0	4.1	4.1	4.1
Less Social Security Taxes (-)	4,620.3	4,812.7	5,013.7	5,223.5	5,441.3
Transfer Payments	6,127.4	6,382.0	6,651.8	6,937.8	7,241.6
Dividends, Interest and Rent	8,673.4	9,105.3	9,566.1	10,058.1	10,584.4
Inflation Rate, Honolulu MSA (%)	2.6	2.6	2.7	2.7	2.7
Real Personal Income (Mil. 82-84\$)	20,774.7	21,109.2	21,451.0	21,799.1	22,149.4
%Change	1.6	1.6	1.6	1.6	1.6
Total Population (000's)	1,010.5	1,016.8	1,023.1	1,029.5	1,035.9
% Change	0.6	0.6	0.6	0.6	0.6
Real Per Capita Income (000's 82-84\$)	20.6	20.8	21.0	21.2	21.4
% Change	1.0	1.0	1.0	1.0	1.0

TABLE 4: PERSONAL INCOME BY DETAILED SECTOR

2005 HONOLULU COUNTY LONG-TERM FORECAST (Cont'd)

	2021	2022	2023	2024	2025
Total Personal Income (Mil.S)	69,020.6	72,088.5	75,278.7	78,581.7	81,994.4
% Change	4.4	4.4	4.4	4.4	4.3
Labor & Proprietors' Income (Mil.S)	55,981.5	58,361.3	60,830.4	63,376.3	65,992.6
% Change	4.2	4.3	4.2	4.2	4.1
Agriculture	227.2	233.7	240.3	247.1	254.0
% Change	2.8	2.8	2.8	2.8	2.8
Construction and Mining	3,619.9	3,789.3	3,962.2	4,135.8	4,309.8
% Change	4.7	4.7	4.6	4.4	4.2
Manufacturing	787.9	805.4	823.4	841.8	860.5
% Change	2.2	2.2	2.2	2.2	2.2
Total Trade	4,396.5	4,540.6	4,689.2	4,841.7	4,997.5
% Change	3.3	3.3	3.3	3.3	3.2
Transportation and Utilities	2,558.2	2,643.7	2,731.7	2,821.7	2,912.9
% Change	3.4	3.3	3.3	3.3	3.2
Finance, Insurance & Real Estate	3,497.7	3,646.7	3,800.9	3,959.9	4,123.6
% Change	4.3	4.3	4.2	4.2	4.1
Services	21,494.3	22,489.4	23,522.8	24,587.7	25,680.8
% Change	4.6	4.6	4.6	4.5	4.4
Government	19,399.8	20,212.4	21,059.9	21,940.5	22,853.5
% Change	4.2	4.2	4.2	4.2	4.2
Less Social Security Taxes (-)	5,671.6	5,912.7	6,162.9	6,420.8	6,685.9
Transfer Payments	7,563.5	7,902.8	8,259.1	8,632.5	9,023.5
Dividends, Interest and Rent	11,147.3	11,737.2	12,352.1	12,993.7	13,664.1
Inflation Rate, Honolulu MSA (%)	2.7	2.8	2.8	2.7	2.7
Real Personal Income (Mil. 82-84\$)	22,513.1	22,883.2	23,256.3	23,630.4	24,005.1
%Change	1.6	1.6	1.6	1.6	1.6
Total Population (000's)	1,042.3	1,048.5	1,054.6	1,060.5	1,066.3
% Change	0.6	0.6	0.6	0.6	0.5
Real Per Capita Income (000's 82-84\$)	21.6	21.8	22.1	22.3	22.5
% Change	1.0	1.0	1.0	1.0	1.0

**TABLE 5: SUMMARY OF EXTERNAL DRIVERS
2005 STATE OF HAWAII LONG-TERM FORECAST**

	2001	2002	2003	2004	2005
U.S. FACTORS					
Total Employment (000's)	136,943.5	136,487.2	137,739.1	139,258.6	141,843.3
% Change	0.0	-0.3	0.9	1.1	1.9
Unemployment Rate (%)	4.8	5.8	6.0	5.5	5.4
Inflation Rate (%)	2.8	1.6	2.3	2.6	3.2
Real GDP (Bil. 96\$)	9,890.6	10,074.8	10,381.3	10,830.5	11,202.2
% Change	0.8	1.9	3.0	4.3	3.4
Population (000's)	285,358.3	288,240.3	291,085.0	293,901.7	296,854.8
% Change	1.0	1.0	1.0	1.0	1.0
JAPAN FACTORS					
Total Employment (000's)	---	---	63,170.8	63,404.0	63,687.2
% Change	---	---	---	0.4	0.4
Unemployment Rate (%)	5.0	5.4	5.3	4.8	4.6
Inflation Rate (%)	-0.7	-0.9	-0.2	-0.1	0.0
Real GDP (Bil. 95Yen)	534,979.9	532,251.5	545,557.8	565,197.8	576,292.7
% Change	0.4	-0.5	2.5	3.6	2.0
Population (000's)	127,271.0	127,478.0	127,654.0	127,800.0	127,914.0
% Change	0.2	0.2	0.1	0.1	0.1
Exchange Rate (Yen/\$)	121.5	125.3	115.9	108.2	106.1

TABLE 5: SUMMARY OF EXTERNAL DRIVERS
2005 STATE OF HAWAII LONG-TERM FORECAST (Cont'd)

	2006	2007	2008	2009	2010
U.S. FACTORS					
Total Employment (000's)	144,342.8	146,713.5	148,883.1	150,614.7	152,155.6
% Change	1.8	1.6	1.5	1.2	1.0
Unemployment Rate (%)	5.2	5.1	5.0	5.0	5.0
Inflation Rate (%)	2.4	2.5	2.5	2.5	2.5
Real GDP (Bil. 96\$)	11,600.7	12,008.6	12,427.5	12,821.9	13,210.8
% Change	3.6	3.5	3.5	3.2	3.0
Population (000's)	299,813.1	302,763.5	305,707.9	308,646.4	311,579.9
% Change	1.0	1.0	1.0	1.0	1.0
JAPAN FACTORS					
Total Employment (000's)	63,942.0	64,133.8	64,069.7	63,813.4	63,430.5
% Change	0.4	0.3	-0.1	-0.4	-0.6
Unemployment Rate (%)	4.4	4.3	4.2	4.1	4.0
Inflation Rate (%)	0.3	1.5	1.5	1.5	1.5

2005 STATE OF HAWAII LONG-TERM FORECAST (Cont'd)

Population (000's)	314,507.5	317,427.2	320,342.0	323,255.7	326,171.5
% Change	0.9	0.9	0.9	0.9	0.9
JAPAN FACTORS					
Total Employment (000's)	62,954.8	62,350.9	61,699.5	61,197.3	60,729.5
% Change	-0.8	-1.0	-1.0	-0.8	-0.8
Unemployment Rate (%)	4.0	4.0	4.0	4.0	4.0
Inflation Rate (%)	1.5	1.5	1.5	1.5	1.5
Real GDP (Bil. 95Yen)	642,624.1	649,378.1	655,644.6	663,486.1	671,753.1
% Change	1.3	1.1	1.0	1.2	1.2
Population (000's)	127,912.0	127,793.0	127,639.0	127,449.0	127,224.0
% Change	-0.1	-0.1	-0.1	-0.1	-0.2
Exchange Rate (Yen/\$)	99.5	98.6	97.6	96.7	95.7

TABLE 5: SUMMARY OF EXTERNAL DRIVERS
2005 STATE OF HAWAII LONG-TERM FORECAST (Cont'd)

	2016	2017	2018	2019	2020
U.S. FACTORS					
Total Employment (000's)	157,937.7	158,347.6	158,749.7	159,147.0	159,544.1
% Change	0.3	0.3	0.3	0.3	0.2
Unemployment Rate (%)	5.0	5.0	5.0	5.0	5.0
Inflation Rate (%)	2.5	2.5	2.5	2.5	2.5
Real GDP (Bil. 96\$)	15,440.6	15,791.0	16,148.5	16,513.5	16,886.6
% Change	2.3	2.3	2.3	2.3	2.3
Population (000's)	329,086.2	331,997.0	334,895.9	337,773.1	340,617.6
% Change	0.9	0.9	0.9	0.9	0.8
JAPAN FACTORS					
Total Employment (000's)	60,269.3	59,850.8	59,521.1	59,140.3	58,806.5
% Change	-0.8	-0.7	-0.6	-0.6	-0.6
Unemployment Rate (%)	4.0	4.0	4.0	4.0	4.0
Inflation Rate (%)	1.5	1.5	1.5	1.5	1.5
Real GDP (Bil. 95Yen)	680,163.5	689,114.4	699,168.6	708,747.2	718,995.7
% Change	1.3	1.3	1.5	1.4	1.4
Population (000's)	126,963.0	126,670.0	126,345.0	125,994.0	125,617.0
% Change	-0.2	-0.2	-0.3	-0.3	-0.3
Exchange Rate (Yen/\$)	94.8	93.9	92.9	92.0	91.1

TABLE 5: SUMMARY OF EXTERNAL DRIVERS
2005 STATE OF HAWAII LONG-TERM FORECAST (Cont'd)

	2021	2022	2023	2024	2025
U.S. FACTORS					
Total Employment (000's)	159,946.5	160,361.6	160,797.6	161,263.6	161,768.7
% Change	0.3	0.3	0.3	0.3	0.3
Unemployment Rate (%)	5.0	5.0	5.0	5.0	5.0
Inflation Rate (%)	2.5	2.5	2.5	2.5	2.5
Real GDP (Bil. 96\$)	17,268.7	17,660.6	18,063.6	18,479.0	18,908.3
% Change	2.3	2.3	2.3	2.3	2.3
Population (000's)	343,427.4	346,200.7	348,930.4	351,608.7	354,231.6
% Change	0.8	0.8	0.8	0.8	0.7
JAPAN FACTORS					
Total Employment (000's)	58,493.0	58,160.9	57,794.8	57,421.0	57,012.3
% Change	-0.5	-0.6	-0.6	-0.6	-0.7
Unemployment Rate (%)	4.0	4.0	4.0	4.0	4.0
Inflation Rate (%)	1.5	1.5	1.5	1.5	1.5
Real GDP (Bil. 95Yen)	729,615.3	740,136.3	750,357.6	760,585.0	770,457.4
% Change	1.5	1.4	1.4	1.4	1.3
Population (000's)	125,218.0	124,797.0	124,359.0	123,907.0	123,444.0
% Change	-0.3	-0.3	-0.4	-0.4	-0.4
Exchange Rate (Yen/\$)	90.2	89.4	88.5	87.6	86.8

**TABLE 6: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HIGH SCENARIO LONG-TERM FORECAST**

	2001	2002	2003	2004	2005
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	555.0	556.8	567.7	581.7	602.1
% Change	0.7	0.3	2.0	2.5	3.5
Total Population (000's)	1,222.0	1,234.5	1,248.8	1,262.8	1,284.9
% Change	0.8	1.0	1.2	1.1	1.7
Military Personnel (000's)	42.4	43.6	44.5	37.1	41.5
Military Dependents (000's)	52.9	49.0	56.6	55.0	55.9
Real Personal Income (Mil. 82-84\$)	19,640.7	20,393.1	20,855.5	21,445.2	22,279.6
% Change	0.5	3.8	2.3	2.8	3.9
Total Visitors (000's)	6,303.7	6,389.1	6,345.2	6,892.5	7,198.0
% Change	-9.3	1.4	-0.7	8.6	4.4
Japanese Visitors (000's)	1,528.6	1,483.1	1,323.8	1,477.6	1,595.2
U.S. Visitors (000's)	3,960.2	4,069.5	4,188.9	4,538.3	4,702.8
Avg. Daily Census (000's)	158.4	164.5	169.6	171.1	174.0
% Change	-6.1	3.9	3.1	0.9	1.7
Total Room Stock (000's)	72.2	70.8	71.0	71.9	72.3
% Change	1.0	-2.0	0.3	1.3	0.6
Hotel Occupancy Rate (%)	69.3	69.4	72.8	78.2	80.1
Avg. Daily Hotel Room Rate (\$)	144.1	141.5	142.9	152.4	163.9
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	412.5	412.9	419.7	429.6	443.6
% Change	0.1	0.1	1.6	2.4	3.2
Civilian Population (000's)	787.2	799.9	801.7	813.2	824.1
% Change	-0.3	1.6	0.2	1.4	1.3
Inflation Rate, Honolulu MSA (%)	1.2	1.0	2.3	3.6	3.0
Real Personal Income (Mil. 82-84\$)	15,040.6	15,571.4	15,980.6	16,434.3	17,013.4
% Change	-0.3	3.5	2.6	2.8	3.5
Total Visitors (000's)	4,257.5	4,276.1	4,066.3	4,473.8	4,712.4
% Change	-9.8	0.4	-4.9	10.0	5.3
Japanese Visitors (000's)	1,455.9	1,431.6	1,261.1	1,415.9	1,541.6
U.S. Visitors (000's)	2,220.1	2,228.3	2,207.2	2,398.3	2,497.3
Avg. Daily Census (000's)	80.4	81.5	81.0	84.1	86.1
% Change	-6.9	1.4	-0.6	3.8	2.4
Total Room Stock (000's)	36.8	36.5	35.7	35.8	35.7
% Change	1.4	-1.0	-2.2	0.5	-0.3
Hotel Occupancy Rate (%)	68.8	70.2	73.3	80.4	83.5
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	2.8	1.6	2.3	2.7	2.5
U.S. Real GDP (Bil. 96\$)	9,890.7	10,074.8	10,381.3	10,830.8	11,290.5
% Change	0.8	1.9	3.0	4.3	4.2
Japan Inflation Rate (%)	-0.7	-0.9	-0.2	-0.1	0.0
Japan Real GDP (Bil. 95Y)	535,608.5	532,945.5	546,288.6	566,800.8	585,241.5
% Change	0.4	-0.5	2.5	3.8	3.3
Exchange Rate (Yen/Dollar)	121.5	125.3	115.9	108.2	95.3

**TABLE 6: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HIGH SCENARIO LONG-TERM FORECAST (Cont'd)**

	2006	2007	2008	2009	2010
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	617.3	628.5	639.0	649.7	659.9
% Change	2.5	1.8	1.7	1.7	1.6
Total Population (000's)	1,308.7	1,325.9	1,341.7	1,357.6	1,373.4
% Change	1.9	1.3	1.2	1.2	1.2
Military Personnel (000's)	45.6	46.6	47.2	47.7	48.1
Military Dependents (000's)	59.0	59.1	59.6	60.3	61.0
Real Personal Income (Mil. 82-84\$)	23,014.3	23,576.0	24,138.6	24,706.4	25,270.3
% Change	3.3	2.4	2.4	2.4	2.3
Total Visitors (000's)	7,488.0	7,734.8	7,944.6	8,128.9	8,282.9
% Change	4.0	3.3	2.7	2.3	1.9
Japanese Visitors (000's)	1,741.3	1,875.6	1,987.3	2,066.9	2,121.0
U.S. Visitors (000's)	4,819.0	4,900.2	4,966.4	5,038.5	5,105.2
Avg. Daily Census (000's)	178.4	182.6	186.4	190.0	193.1
% Change	2.6	2.3	2.1	1.9	1.6
Total Room Stock (000's)	72.7	73.4	74.2	74.8	75.3
% Change	0.5	0.9	1.1	0.9	0.5
Hotel Occupancy Rate (%)	80.4	80.9	81.4	82.0	82.7
Avg. Daily Hotel Room Rate (\$)	174.4	184.6	194.5	204.2	213.8
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	454.1	462.0	469.0	476.1	482.6
% Change	2.4	1.7	1.5	1.5	1.4
Civilian Population (000's)	834.3	844.0	852.7	861.4	870.1
% Change	1.2	1.2	1.0	1.0	1.0
Inflation Rate, Honolulu MSA (%)	2.8	3.0	2.7	2.4	2.1
Real Personal Income (Mil. 82-84\$)	17,593.6	18,025.6	18,443.1	18,862.1	19,268.6
% Change	3.4	2.5	2.3	2.3	2.2
Total Visitors (000's)	4,920.6	5,106.3	5,267.9	5,398.3	5,498.6
% Change	4.4	3.8	3.2	2.5	1.9
Japanese Visitors (000's)	1,663.3	1,783.7	1,890.4	1,966.7	2,018.7
U.S. Visitors (000's)	2,565.3	2,609.7	2,643.3	2,677.3	2,706.2
Avg. Daily Census (000's)	88.9	91.4	93.7	95.6	97.2
% Change	3.3	2.8	2.5	2.1	1.6
Total Room Stock (000's)	35.7	35.9	36.4	36.9	37.2
% Change	0.0	0.4	1.5	1.5	0.7
Hotel Occupancy Rate (%)	83.7	84.6	85.3	85.6	86.2
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	2.3	2.2	2.0	2.0	2.0
U.S. Real GDP (Bil. 96\$)	11,787.7	12,305.5	12,820.9	13,347.2	13,862.3
% Change	4.4	4.4	4.2	4.1	3.9
Japan Inflation Rate (%)	0.3	1.5	1.5	1.5	1.5
Japan Real GDP (Bil. 95Y)	604,160.8	623,071.0	640,080.9	655,634.8	669,599.9
% Change	3.2	3.1	2.7	2.4	2.1
Exchange Rate (Yen/Dollar)	85.5	79.5	75.1	71.7	69.0

**TABLE 6: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HIGH SCENARIO LONG-TERM FORECAST (Cont'd)**

	2011	2012	2013	2014	2015
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	669.7	679.0	687.6	695.5	702.8
% Change	1.5	1.4	1.3	1.2	1.1
Total Population (000's)	1,389.0	1,404.3	1,419.3	1,433.9	1,448.4
% Change	1.1	1.1	1.1	1.0	1.0
Military Personnel (000's)	48.5	48.7	48.9	49.0	48.9
Military Dependents (000's)	61.6	62.0	62.2	62.2	62.1
Real Personal Income (Mil. 82-84\$)	25,838.3	26,398.1	26,945.8	27,471.5	27,988.8
% Change	2.2	2.2	2.1	2.0	1.9
Total Visitors (000's)	8,442.6	8,568.4	8,672.5	8,753.8	8,835.9
% Change	1.9	1.5	1.2	0.9	0.9
Japanese Visitors (000's)	2,177.8	2,204.3	2,205.5	2,188.9	2,171.4
U.S. Visitors (000's)	5,174.1	5,238.8	5,306.5	5,368.4	5,431.2
Avg. Daily Census (000's)	196.2	198.8	200.9	202.6	204.3
% Change	1.6	1.3	1.1	0.8	0.8
Total Room Stock (000's)	75.8	76.3	76.8	77.3	77.7
% Change	0.7	0.7	0.7	0.6	0.6
Hotel Occupancy Rate (%)	83.2	83.5	83.6	83.5	83.5
Avg. Daily Hotel Room Rate (\$)	223.3	232.6	241.8	250.8	259.6
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	488.5	494.4	499.9	505.0	509.6
% Change	1.2	1.2	1.1	1.0	0.9
Civilian Population (000's)	878.9	887.6	896.4	905.2	913.9
% Change	1.0	1.0	1.0	1.0	1.0
Inflation Rate, Honolulu MSA (%)	2.1	2.1	2.0	1.9	1.8
Real Personal Income (Mil. 82-84\$)	19,686.9	20,110.8	20,516.4	20,889.2	21,241.5
% Change	2.2	2.2	2.0	1.8	1.7
Total Visitors (000's)	5,601.1	5,671.2	5,717.4	5,742.9	5,767.2
% Change	1.9	1.3	0.8	0.4	0.4
Japanese Visitors (000's)	2,073.4	2,099.2	2,100.9	2,085.7	2,069.6
U.S. Visitors (000's)	2,734.4	2,758.8	2,783.4	2,803.8	2,823.7
Avg. Daily Census (000's)	98.8	100.0	100.8	101.2	101.7
% Change	1.7	1.2	0.8	0.5	0.5
Total Room Stock (000's)	37.5	37.8	38.1	38.3	38.5
% Change	0.9	0.7	0.7	0.6	0.5
Hotel Occupancy Rate (%)	86.7	86.9	86.8	86.5	86.2
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	2.0	2.0	2.0	2.0	2.0
U.S. Real GDP (Bil. 96\$)	14,386.9	14,904.6	15,437.0	15,951.8	16,471.5
% Change	3.8	3.6	3.6	3.3	3.3
Japan Inflation Rate (%)	1.5	1.5	1.5	1.5	1.5
Japan Real GDP (Bil. 95Y)	682,857.9	692,984.7	704,663.7	718,164.7	732,280.9
% Change	2.0	1.5	1.7	1.9	2.0
Exchange Rate (Yen/Dollar)	66.8	65.1	63.7	62.5	61.6

**TABLE 6: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HIGH SCENARIO LONG-TERM FORECAST (Cont'd)**

	2016	2017	2018	2019	2020
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	709.9	716.9	723.9	731.0	738.3
% Change	1.0	1.0	1.0	1.0	1.0
Total Population (000's)	1,462.8	1,477.4	1,492.1	1,507.0	1,522.0
% Change	1.0	1.0	1.0	1.0	1.0
Military Personnel (000's)	48.9	48.9	49.0	49.3	49.5
Military Dependents (000's)	62.0	61.9	62.0	62.2	62.5
Real Personal Income (Mil. 82-84\$)	28,497.4	29,017.4	29,556.0	30,115.6	30,694.5
% Change	1.8	1.8	1.9	1.9	1.9
Total Visitors (000's)	8,933.7	9,029.9	9,127.7	9,223.7	9,329.4
% Change	1.1	1.1	1.1	1.1	1.1
Japanese Visitors (000's)	2,177.0	2,179.3	2,181.2	2,179.3	2,185.0
U.S. VISITORS					
U.S. Visitors (000's)	5,485.9	5,541.6	5,598.4	5,656.5	5,715.8
Avg. Daily Census (000's)	206.1	208.0	209.8	211.6	213.6
% Change	0.9	0.9	0.9	0.9	0.9
Total Room Stock (000's)	78.1	78.6	78.9	79.3	79.7
% Change	0.5	0.5	0.5	0.5	0.5
Hotel Occupancy Rate (%)	83.6	83.7	83.8	83.8	84.0
Avg. Daily Hotel Room Rate (\$)	268.3	277.1	285.9	294.6	303.3
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	513.9	518.3	522.6	527.0	531.6
% Change	0.9	0.8	0.8	0.9	0.9
Civilian Population (000's)	922.6	931.2	939.8	948.4	956.9
% Change	1.0	0.9	0.9	0.9	0.9
Inflation Rate, Honolulu MSA (%)	1.8	1.7	1.7	1.7	1.7
Real Personal Income (Mil. 82-84\$)	21,605.9	21,987.8	22,385.0	22,794.9	23,211.9
% Change	1.7	1.8	1.8	1.8	1.8
Total Visitors (000's)	5,808.6	5,847.0	5,885.2	5,919.9	5,962.3
% Change	0.7	0.7	0.7	0.6	0.7
Japanese Visitors (000's)	2,075.5	2,078.3	2,080.8	2,079.5	2,085.6

**TABLE 6: MAJOR ECONOMIC INDICATOR SUMMARY
2005 HIGH SCENARIO LONG-TERM FORECAST (Cont'd)**

	2021	2022	2023	2024	2025
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	745.9	753.5	761.3	769.1	777.0
% Change	1.0	1.0	1.0	1.0	1.0
Total Population (000's)	1,537.0	1,551.9	1,566.7	1,581.4	1,596.1
% Change	1.0	1.0	1.0	0.9	0.9
Military Personnel (000's)	49.9	50.2	50.5	50.8	51.1
Military Dependents (000's)	62.8	63.1	63.3	63.5	63.7
Real Personal Income (Mil. 82-84\$)	31,303.5	31,935.5	32,588.5	33,260.9	33,951.4
% Change	2.0	2.0	2.0	2.1	2.1
Total Visitors (000's)	9,449.0	9,558.1	9,696.4	9,836.5	9,988.5
% Change	1.3	1.2	1.4	1.4	1.5
Japanese Visitors (000's)	2,202.5	2,208.2	2,240.5	2,272.7	2,314.9
U.S. Visitors (000's)	5,776.4	5,837.5	5,900.4	5,964.3	6,029.2
Avg. Daily Census (000's)	215.8	217.8	220.4	222.9	225.7
% Change	1.0	0.9	1.2	1.2	1.3
Total Room Stock (000's)	80.0	80.4	80.7	81.0	81.4
% Change	0.4	0.4	0.4	0.4	0.4
Hotel Occupancy Rate (%)	84.3	84.4	84.8	85.3	85.7
Avg. Daily Hotel Room Rate (\$)	312.2	321.0	330.0	339.2	348.5
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	536.5	541.4	546.5	551.7	556.9
% Change	0.9	0.9	0.9	0.9	0.9
Civilian Population (000's)	965.4	974.0	982.5	990.9	999.3
% Change	0.9	0.9	0.9	0.9	0.9
Inflation Rate, Honolulu MSA (%)	1.8	1.8	1.8	1.8	1.7
Real Personal Income (Mil. 82-84\$)	23,648.6	24,101.0	24,567.3	25,046.9	25,540.0
% Change	1.9	1.9	1.9	2.0	2.0
Total Visitors (000's)	6,016.4	6,059.2	6,128.1	6,197.2	6,276.2
% Change	0.9	0.7	1.1	1.1	1.3
Japanese Visitors (000's)	2,102.9	2,108.9	2,140.4	2,171.7	2,212.6
U.S. Visitors (000's)	2,912.1	2,926.8	2,941.9	2,957.0	2,972.3
Avg. Daily Census (000's)	105.9	106.6	107.7	108.8	110.1
% Change	0.8	0.7	1.0	1.0	1.2
Total Room Stock (000's)	39.4	39.5	39.6	39.7	39.8
% Change	0.3	0.3	0.2	0.2	0.2
Hotel Occupancy Rate (%)	86.6	86.8	87.3	87.8	88.5
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	2.0	2.0	2.0	2.0	2.0
U.S. Real GDP (Bil. 96\$)	19,650.9	20,238.4	20,845.9	21,475.4	22,129.0
% Change	3.0	3.0	3.0	3.0	3.0
Japan Inflation Rate (%)	1.5	1.5	1.5	1.5	1.5
Japan Real GDP (Bil. 95Y)	829,851.4	847,795.1	865,603.1	883,634.9	901,469.1
% Change	2.2	2.2	2.1	2.1	2.0
Exchange Rate (Yen/Dollar)	57.9	57.5	57.1	56.7	56.4

**TABLE 7: MAJOR ECONOMIC INDICATOR SUMMARY
2005 LOW SCENARIO LONG-TERM FORECAST**

	2001	2002	2003	2004	2005
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	555.0	556.8	567.7	581.7	588.1
% Change	0.7	0.3	2.0	2.5	1.1
Total Population (000's)	1,222.0	1,234.5	1,248.8	1,262.8	1,282.8
% Change	0.8	1.0	1.2	1.1	1.6
Military Personnel (000's)	42.4	43.6	44.5	37.1	41.5
Military Dependents (000's)	52.9	49.0	56.6	55.0	55.9
Real Personal Income (Mil. 82-84\$)	19,640.7	20,393.1	20,855.5	21,408.5	21,781.8
% Change	0.5	3.8	2.3	2.7	1.7
Total Visitors (000's)	6,303.7	6,389.1	6,345.2	6,892.5	7,123.9
% Change	-9.3	1.4	-0.7	8.6	3.4
Japanese Visitors (000's)	1,528.6	1,483.1	1,323.8	1,477.6	1,545.9
U.S. Visitors (000's)	3,960.2	4,069.5	4,188.9	4,538.3	4,677.9
Avg. Daily Census (000's)	158.4	164.5	169.6	171.1	172.4
% Change	-6.1	3.9	3.1	0.9	0.7
Total Room Stock (000's)	72.2	70.8	71.0	71.9	72.3
% Change	1.0	-2.0	0.3	1.3	0.5
Hotel Occupancy Rate (%)	69.3	69.4	72.8	78.2	79.4
Avg. Daily Hotel Room Rate (\$)	144.1	141.5	142.9	152.2	160.9
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	412.5	412.9	419.7	429.6	435.5
% Change	0.1	0.1	1.6	2.4	1.4
Civilian Population (000's)	787.2	799.9	801.7	813.2	823.2
% Change	-0.3	1.6	0.2	1.4	1.2
Inflation Rate, Honolulu MSA (%)	1.2	1.0	2.3	3.6	4.3
Real Personal Income (Mil. 82-84\$)	15,040.6	15,571.4	15,979.7	16,413.7	16,727.1
% Change	-0.3	3.5	2.6	2.7	1.9
Total Visitors (000's)	4,257.5	4,276.1	4,066.3	4,473.8	4,651.8
% Change	-9.8	0.4	-4.9	10.0	4.0
Japanese Visitors (000's)	1,455.9	1,431.6	1,261.1	1,415.9	1,494.2
U.S. Visitors (000's)	2,220.1	2,228.3	2,207.2	2,398.3	2,484.1
Avg. Daily Census (000's)	80.4	81.5	81.0	84.1	85.0
% Change	-6.9	1.4	-0.6	3.8	1.2
Total Room Stock (000's)	36.8	36.5	35.7	35.8	35.7
% Change	1.4	-1.0	-2.2	0.5	-0.3
Hotel Occupancy Rate (%)	68.8	70.2	73.3	80.4	82.5
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	2.8	1.6	2.3	2.7	3.5
U.S. Real GDP (Bil. 96\$)	9,890.7	10,074.8	10,381.3	10,830.8	11,160.2
% Change	0.8	1.9	3.0	4.3	3.0
Japan Inflation Rate (%)	-0.7	-0.9	-0.2	-0.1	0.0
Japan Real GDP (Bil. 95Y)	535,608.5	532,945.5	546,288.6	566,800.8	575,971.3
% Change	0.4	-0.5	2.5	3.8	1.6
Exchange Rate (Yen/Dollar)	121.5	125.3	115.9	108.2	115.1

**TABLE 7: MAJOR ECONOMIC INDICATOR SUMMARY
2005 LOW SCENARIO LONG-TERM FORECAST (Cont'd)**

	2006	2007	2008	2009	2010
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	591.4	597.7	603.3	609.0	614.4
% Change	0.6	1.1	0.9	0.9	0.9
Total Population (000's)	1,302.7	1,315.8	1,327.0	1,337.9	1,348.3
% Change	1.6	1.0	0.9	0.8	0.8
Military Personnel (000's)	45.6	46.6	47.2	47.7	48.1
Military Dependents (000's)	59.0	59.1	59.6	60.3	61.0
Real Personal Income (Mil. 82-84\$)	22,149.7	22,569.0	22,960.3	23,339.6	23,730.9
% Change	1.7	1.9	1.7	1.7	1.7
Total Visitors (000's)	7,237.4	7,337.9	7,420.2	7,497.2	7,575.3
% Change	1.6	1.4	1.1	1.0	1.0
Japanese Visitors (000's)	1,576.5	1,581.0	1,583.3	1,587.7	1,594.9
U.S. Visitors (000's)	4,733.2	4,797.8	4,846.0	4,886.0	4,923.7
Avg. Daily Census (000's)	173.2	174.6	176.0	177.4	178.9
% Change	0.4	0.8	0.8	0.8	0.8
Total Room Stock (000's)	72.5	73.0	73.7	74.3	74.5
% Change	0.4	0.7	1.0	0.8	0.3
Hotel Occupancy Rate (%)	78.2	77.7	77.4	77.1	77.3
Avg. Daily Hotel Room Rate (\$)	167.3	173.0	178.5	183.6	188.5
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	437.6	441.4	445.2	448.9	452.3
% Change	0.5	0.9	0.8	0.8	0.8
Civilian Population (000's)	831.0	838.1	843.4	848.6	853.6
% Change	0.9	0.9	0.6	0.6	0.6
Inflation Rate, Honolulu MSA (%)	4.8	3.8	3.2	3.0	3.0
Real Personal Income (Mil. 82-84\$)	17,028.1	17,329.9	17,638.7	17,927.0	18,220.2
% Change	1.8	1.8	1.8	1.6	1.6
Total Visitors (000's)	4,717.6	4,771.6	4,819.5	4,861.3	4,901.7
% Change	1.4	1.1	1.0	0.9	0.8
Japanese Visitors (000's)	1,506.1	1,503.5	1,506.1	1,510.7	1,518.0
U.S. Visitors (000's)	2,519.6	2,555.2	2,579.2	2,596.3	2,610.1
Avg. Daily Census (000's)	85.6	86.0	86.5	87.1	87.6
% Change	0.6	0.5	0.6	0.6	0.7
Total Room Stock (000's)	35.7	35.9	36.4	36.9	37.1
% Change	0.0	0.4	1.5	1.5	0.4
Hotel Occupancy Rate (%)	80.5	79.5	78.7	77.9	77.9
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	3.5	3.0	3.1	3.2	3.4
U.S. Real GDP (Bil. 96\$)	11,384.7	11,723.7	12,045.2	12,334.3	12,613.0
% Change	2.0	3.0	2.7	2.4	2.3
Japan Inflation Rate (%)	0.3	1.5	1.5	1.5	1.5
Japan Real GDP (Bil. 95Y)	584,610.9	591,509.3	597,601.8	601,964.3	605,154.7
% Change	1.5	1.2	1.0	0.7	0.5
Exchange Rate (Yen/Dollar)	119.8	122.6	123.6	123.3	122.3

**TABLE 7: MAJOR ECONOMIC INDICATOR SUMMARY
2005 LOW SCENARIO LONG-TERM FORECAST (Cont'd)**

	2011	2012	2013	2014	2015
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	619.7	624.8	629.8	634.7	639.6
% Change	0.9	0.8	0.8	0.8	0.8
Total Population (000's)	1,358.4	1,367.7	1,376.6	1,384.9	1,392.7
% Change	0.7	0.7	0.6	0.6	0.6
Military Personnel (000's)	48.5	48.7	48.9	49.0	48.9
Military Dependents (000's)	61.6	62.0	62.2	62.2	62.1
Real Personal Income (Mil. 82-84\$)	24,116.3	24,497.0	24,878.3	25,253.0	25,628.5
% Change	1.6	1.6	1.6	1.5	1.5
Total Visitors (000's)	7,649.9	7,719.7	7,789.3	7,853.0	7,919.6
% Change	1.0	0.9	0.9	0.8	0.8
Japanese Visitors (000's)	1,601.2	1,607.4	1,611.2	1,616.0	1,624.1
U.S. Visitors (000's)	4,958.0	4,987.1	5,017.6	5,040.5	5,062.2
Avg. Daily Census (000's)	180.3	181.5	182.7	183.8	184.8
% Change	0.8	0.7	0.7	0.6	0.6
Total Room Stock (000's)	74.8	75.1	75.3	75.5	75.7
% Change	0.4	0.4	0.3	0.3	0.2
Hotel Occupancy Rate (%)	77.4	77.4	77.5	77.5	77.6
Avg. Daily Hotel Room Rate (\$)	193.2	197.6	201.8	205.8	209.6
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	455.5	458.6	461.6	464.6	467.5
% Change	0.7	0.7	0.7	0.6	0.6
Civilian Population (000's)	858.3	862.9	867.3	871.5	875.6
% Change	0.6	0.5	0.5	0.5	0.5
Inflation Rate, Honolulu MSA (%)	2.9	2.9	2.9	2.9	2.9
Real Personal Income (Mil. 82-84\$)	18,509.0	18,787.6	19,070.0	19,356.4	19,636.7
% Change	1.6	1.5	1.5	1.5	1.4
Total Visitors (000's)	4,938.0	4,970.1	4,999.8	5,025.7	5,053.7
% Change	0.7	0.7	0.6	0.5	0.6
Japanese Visitors (000's)	1,524.4	1,530.8	1,534.8	1,539.8	1,548.0
U.S. Visitors (000's)	2,620.2	2,626.2	2,631.9	2,632.5	2,631.9
Avg. Daily Census (000's)	88.2	88.7	89.1	89.5	89.9
% Change	0.6	0.5	0.5	0.4	0.5
Total Room Stock (000's)	37.3	37.4	37.5	37.5	37.6
% Change	0.5	0.3	0.2	0.2	0.1
Hotel Occupancy Rate (%)	77.9	77.9	77.9	78.0	78.1
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	3.4	3.5	3.5	3.5	3.5
U.S. Real GDP (Bil. 96\$)	12,877.9	13,124.3	13,372.1	13,592.8	13,806.8
% Change	2.1	1.9	1.9	1.7	1.6
Japan Inflation Rate (%)	1.5	1.5	1.5	1.5	1.5
Japan Real GDP (Bil. 95Y)	607,454.3	609,851.1	610,371.4	612,299.9	614,538.4
% Change	0.4	0.4	0.1	0.3	0.4
Exchange Rate (Yen/Dollar)	120.7	118.8	116.8	114.7	112.6

**TABLE 7: MAJOR ECONOMIC INDICATOR SUMMARY
2005 LOW SCENARIO LONG-TERM FORECAST (Cont'd)**

	2016	2017	2018	2019	2020
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	644.4	649.2	654.1	659.1	664.2
% Change	0.8	0.7	0.8	0.8	0.8
Total Population (000's)	1,400.2	1,407.6	1,414.9	1,422.2	1,429.3
% Change	0.5	0.5	0.5	0.5	0.5
Military Personnel (000's)	48.9	48.9	49.0	49.3	49.5
Military Dependents (000's)	62.0	61.9	62.0	62.2	62.5
Real Personal Income (Mil. 82-84\$)	26,001.7	26,382.2	26,771.9	27,170.2	27,574.3
% Change	1.5	1.5	1.5	1.5	1.5
Total Visitors (000's)	7,983.5	8,051.1	8,123.8	8,199.1	8,280.0
% Change	0.8	0.8	0.9	0.9	1.0
Japanese Visitors (000's)	1,634.8	1,647.9	1,665.0	1,683.8	1,707.3
U.S. Visitors (000's)	5,077.9	5,094.1	5,110.7	5,127.4	5,144.2
Avg. Daily Census (000's)	185.8	186.8	187.9	189.0	190.2
% Change	0.5	0.5	0.6	0.6	0.6
Total Room Stock (000's)	75.8	76.0	76.1	76.2	76.3
% Change	0.2	0.2	0.2	0.1	0.1
Hotel Occupancy Rate (%)	77.6	77.7	77.8	77.9	78.1
Avg. Daily Hotel Room Rate (\$)	213.2	216.7	220.0	223.2	226.2
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	470.4	473.3	476.2	479.2	482.4
% Change	0.6	0.6	0.6	0.6	0.6
Civilian Population (000's)	879.4	883.1	886.5	889.8	892.9
% Change	0.4	0.4	0.4	0.4	0.3
Inflation Rate, Honolulu MSA (%)	3.0	3.0	3.0	3.1	3.2
Real Personal Income (Mil. 82-84\$)	19,912.5	20,191.0	20,474.4	20,762.1	21,050.0
% Change	1.4	1.4	1.4	1.4	1.4
Total Visitors (000's)	5,080.6	5,109.9	5,142.9	5,177.5	5,216.6
% Change	0.5	0.6	0.6	0.7	0.8
Japanese Visitors (000's)	1,558.6	1,571.6	1,588.3	1,606.7	1,629.6
U.S. Visitors (000's)	2,627.5	2,622.9	2,618.0	2,612.9	2,607.5
Avg. Daily Census (000's)	90.3	90.7	91.2	91.7	92.2
% Change	0.4	0.5	0.5	0.5	0.6
Total Room Stock (000's)	37.6	37.6	37.6	37.6	37.5
% Change	0.1	0.0	0.0	-0.1	-0.1
Hotel Occupancy Rate (%)	78.2	78.4	78.6	78.9	79.3
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	3.5	3.5	3.5	3.5	3.5
U.S. Real GDP (Bil. 96\$)	13,999.6	14,194.1	14,390.5	14,589.2	14,790.4
% Change	1.4	1.4	1.4	1.4	1.4
Japan Inflation Rate (%)	1.5	1.5	1.5	1.5	1.5
Japan Real GDP (Bil. 95Y)	616,826.6	619,513.1	623,101.3	626,155.3	629,697.3
% Change	0.4	0.4	0.6	0.5	0.6
Exchange Rate (Yen/Dollar)	110.4	108.3	106.3	104.2	102.2

**TABLE 7: MAJOR ECONOMIC INDICATOR SUMMARY
2005 LOW SCENARIO LONG-TERM FORECAST (Cont'd)**

	2021	2022	2023	2024	2025
STATE OF HAWAII					
Non-Agriculture Jobs (000's)	669.4	674.7	680.0	685.2	690.4
% Change	0.8	0.8	0.8	0.8	0.8
Total Population (000's)	1,436.1	1,442.6	1,448.8	1,454.7	1,460.2
% Change	0.5	0.5	0.4	0.4	0.4
Military Personnel (000's)	49.9	50.2	50.5	50.8	51.1
Military Dependents (000's)	62.8	63.1	63.3	63.5	63.7
Real Personal Income (Mil. 82-84\$)	27,992.3	28,420.2	28,855.2	29,294.9	29,738.2
% Change	1.5	1.5	1.5	1.5	1.5
Total Visitors (000's)	8,360.0	8,429.0	8,507.0	8,574.8	8,642.4
% Change	1.0	0.8	0.9	0.8	0.8
Japanese Visitors (000's)	1,728.9	1,738.5	1,755.4	1,760.7	1,764.0
U.S. Visitors (000's)	5,161.1	5,178.1	5,196.1	5,214.5	5,233.8
Avg. Daily Census (000's)	191.4	192.4	193.6	194.6	195.5
% Change	0.6	0.5	0.6	0.5	0.5
Total Room Stock (000's)	76.4	76.5	76.6	76.7	76.9
% Change	0.1	0.1	0.2	0.2	0.2
Hotel Occupancy Rate (%)	78.2	78.3	78.4	78.5	78.5
Avg. Daily Hotel Room Rate (\$)	229.2	232.1	234.8	237.4	239.9
HONOLULU COUNTY					
Non-Agriculture Jobs (000's)	485.6	488.8	492.1	495.3	498.4
% Change	0.7	0.7	0.7	0.7	0.6
Civilian Population (000's)	895.6	898.2	900.4	902.5	904.4
% Change	0.3	0.3	0.3	0.2	0.2
Inflation Rate, Honolulu MSA (%)	3.2	3.3	3.3	3.4	3.4
Real Personal Income (Mil. 82-84\$)	21,348.0	21,650.6	21,953.5	22,254.4	22,552.7
% Change	1.4	1.4	1.4	1.4	1.3
Total Visitors (000's)	5,254.0	5,280.0	5,313.5	5,336.3	5,357.6
% Change	0.7	0.5	0.6	0.4	0.4
Japanese Visitors (000's)	1,650.6	1,660.3	1,676.9	1,682.5	1,686.1
U.S. Visitors (000's)	2,601.9	2,596.2	2,590.7	2,585.3	2,580.2
Avg. Daily Census (000's)	92.8	93.1	93.6	93.9	94.2
% Change	0.6	0.4	0.5	0.3	0.3
Total Room Stock (000's)	37.5	37.5	37.5	37.5	37.5
% Change	-0.1	-0.1	0.0	0.0	0.0
Hotel Occupancy Rate (%)	79.7	79.9	80.1	80.2	80.3
EXTERNAL DRIVERS					
U.S. Inflation Rate (%)	3.5	3.5	3.5	3.5	3.5
U.S. Real GDP (Bil. 96\$)	14,994.8	15,203.2	15,416.3	15,635.2	15,860.9
% Change	1.4	1.4	1.4	1.4	1.4
Japan Inflation Rate (%)	1.5	1.5	1.5	1.5	1.5
Japan Real GDP (Bil. 95Y)	633,455.7	637,017.5	640,205.8	643,298.9	645,989.7
% Change	0.6	0.6	0.5	0.5	0.4
Exchange Rate (Yen/Dollar)	100.3	98.3	96.4	94.6	92.7

Hawaiian Electric Company, Inc.

**COMPARISON OF 2005 VS. 2004
APRIL YEAR-TO-DATE
Recorded GWh Sales**

<u>Schedule</u>	<u>Apr YTD 2005</u>	<u>Apr YTD 2004</u>	<u>Diff</u>	<u>% Diff</u>
R	671.7	676.8	-5.1	-0.8%
G	114.4	115.5	-1.1	-1.0%
J	623.6	613.3	10.3	1.7%
H	17.1	18.6	-1.5	-8.1%
P	964.9	986.1	-21.2	-2.1%
F	12.6	12.6	0.0	0.0%
Total	2,404.3	2,422.9	-18.6	-0.8%
Comm'l *	1,732.6	1,746.1	-13.5	-0.8%

<u>Schedule</u>	<u>Weather Normalized Apr YTD 05</u>	<u>Weather Normalized Apr YTD 04</u>	<u>Diff</u>	<u>% Diff</u>
R	670.3	673.1	-2.8	-0.4%
G	113.7	113.6	0.1	0.1%
J	619.8	603.1	16.7	2.8%
H	17.0	18.3	-1.3	-7.1%
P	958.9	969.7	-10.8	-1.1%
F	12.6	12.6	0.0	0.0%
Total	2,392.3	2,390.4	1.9	0.1%
Comm'l *	1,722.0	1,717.3	4.7	0.3%

Legend:

- R Residential Service
- G General Service Non-Demand
- J General Service Demand
- H Commercial Cooking, Heating, Air Conditioning & Refrigeration
- P Large Power Service
- F Public Street, Highway, Park & Playground Lighting

* Including Schedule F

Hawaiian Electric Company, Inc.

**COMPARISON OF 2005 VS. JUNE 2004 UPDATE
APRIL YEAR-TO-DATE
Recorded GWh Sales**

<u>Schedule</u>	<u>Apr YTD 2005</u>	<u>Jun 2004 Update</u>	<u>Diff</u>	<u>% Diff</u>
R	671.7	686.9	-15.2	-2.2%
G	114.4	117.8	-3.4	-2.9%
J	623.6	622.7	0.9	0.1%
H	17.1	15.6	1.5	9.6%
P	964.9	1,003.9	-39.0	-3.9%
F	12.6	13.5	-0.9	-6.7%
Total	2,404.3	2,460.4	-56.1	-2.3%
Comml*	1,732.6	1,773.5	-40.9	-2.3%

<u>Schedule</u>	<u>Weather Normalized Apr YTD 05</u>	<u>Jun 2004 Update</u>	<u>Diff</u>	<u>% Diff</u>
R	670.3	686.9	-16.6	-2.4%
G	113.7	117.8	-4.1	-3.5%
J	619.8	622.7	-2.9	-0.5%
H	17.0	15.6	1.4	9.0%
P	958.9	1,003.9	-45.0	-4.5%
F	12.6	13.5	-0.9	-6.7%
Total	2,392.3	2,460.4	-68.1	-2.8%
Comml*	1,722.0	1,773.5	-51.5	-2.9%

Legend:

- R Residential Service
- G General Service Non-Demand
- J General Service Demand
- H Commercial Cooking, Heating, Air Conditioning & Refrigeration
- P Large Power Service
- F Public Street, Highway, Park & Playground Lighting

* Including Schedule F

Hawaiian Electric Company, Inc.

**RESIDENTIAL RECORDED SALES
APRIL YTD 2005 VS. 2004**

	Apr YTD 2005	Apr YTD 2004	Difference	
			Amt	%
Recorded MWH Sales	671,700.0	676,800.0	-5,100	-0.8%
Bills	1,021,417	1,012,371	9,046	0.9%
KWH Use per Bill	658	669	-10.914	-1.6%

Change in Customers x Use per Bill = Difference in Sales				
9,046	x	658	=	5,948,793 KWH

Change in Use Per Bill x Customers = Difference in Sales				
-10.914	x	1,012,371	=	-11,048,793 KWH

Total:	-5,100,000	KWH
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Hawaiian Electric Company, Inc.

**BILLED GWHS BY BUILDING TYPE
YTD APRIL**

<i>Building Type</i>	<i>2005</i>	<i>2004</i>	<i>Diff</i>	<i>% Chg</i>
Offices	253.6	255.5	-1.9	-0.7%
Restaurant	79.1	79.1	0.0	0.0%
Retail (Non Food)	152.0	153.2	-1.2	-0.8%
Grocery (Retail - Food)	67.2	65.9	1.3	2.0%
Warehouse	42.2	41.0	1.2	2.9%
Education	118.0	123.0	-5.0	-4.1%
Health	72.7	70.8	1.9	2.7%
Lodging (Hotels)	129.9	133.8	-3.9	-2.9%
Housing (Apt/Condo)	138.9	143.7	-4.8	-3.3%
Service/Amusement	115.1	118.9	-3.8	-3.2%
Air Facilities	37.5	38.5	-1.0	-2.6%
Manufacturing	44.1	33.7	10.4	30.9%
Pumping (incl BWS)	61.1	62.8	-1.7	-2.7%
Military/Base	382.0	383.3	-1.3	-0.3%
Food Processing	21.1	23.0	-1.9	-8.3%
Others	25.0	25.5	-0.5	-2.0%
Grand Total	1,739.5	1,751.7	-12.2	-0.7%

Hawaiian Electric Company, Inc.
Monthly Billed Schedule R/E Customers, 1976-2004

		R/RT/E	Increase			
		Bills	prior mon	prior year	YOY gwth	YTD gwth
2002	jan	248,060	388	2,811	1.1%	1.1%
	feb	247,722	-338	2,386	1.0%	1.1%
	mar	248,160	438	2,571	1.0%	1.1%
	apr	248,466	306	2,957	1.2%	1.1%
	may	248,618	152	2,694	1.1%	1.1%
	jun	248,129	-489	2,241	0.9%	1.1%
	jul	248,834	705	2,820	1.1%	1.1%
	aug	248,628	-206	2,131	0.9%	1.0%
	sep	249,384	756	2,861	1.2%	1.1%
	oct	249,565	181	2,319	0.9%	1.0%
	nov	249,721	156	2,467	1.0%	1.0%
	dec	249,896	175	2,224	0.9%	1.0%
2003	jan	250,384	488	2,324	0.9%	0.9%
	feb	250,128	-256	2,406	1.0%	1.0%
	mar	250,661	533	2,501	1.0%	1.0%
	apr	250,688	27	2,222	0.9%	1.0%
	may	250,787	99	2,169	0.9%	0.9%
	jun	250,466	-321	2,337	0.9%	0.9%
	jul	251,412	946	2,578	1.0%	1.0%
	aug	250,927	-485	2,299	0.9%	0.9%
	sep	252,167	1,240	2,783	1.1%	1.0%
	oct	252,096	-71	2,531	1.0%	1.0%
	nov	252,230	134	2,509	1.0%	1.0%
	dec	253,033	803	3,137	1.3%	1.0%
2004	jan	253,130	97	2,746	1.1%	1.1%
	feb	252,587	-543	2,459	1.0%	1.0%
	mar	253,502	915	2,841	1.1%	1.1%
	apr	253,152	-350	2,464	1.0%	1.0%
	may	253,130	-22	2,343	0.9%	1.0%
	jun	253,328	198	2,862	1.1%	1.0%
	jul	253,333	5	1,921	0.8%	1.0%
	aug	253,883	550	2,956	1.2%	1.0%
	sep	254,959	1,076	2,792	1.1%	1.0%
	oct	253,878	-1,081	1,782	0.7%	1.0%
	nov	254,365	487	2,135	0.8%	1.0%
	dec	254,797	432	1,764	0.7%	1.0%
2005	jan	255,270	473	2,140	0.8%	0.8%
	feb	255,086	-184	2,499	1.0%	0.9%
	mar	255,502	416	2,000	0.8%	0.9%
	apr	255,559	57	2,407	1.0%	0.9%
	may					
	jun					
	jul					
	aug					
	sep					
	oct					
	nov					
	dec					

Hawaiian Electric Company, Inc.
Monthly Schedule R/E Use Per Customer, 1976-2003

	billed	3-month mov ave	Increase prior mon	prior year	recorded	3-month mov ave	Increase prior year	YOY Mo Incr	YOY ytd incr	Recd Qtrly Incr
2002 jan	678	660	36	-3	684	666	-2	-0.3%	-0.3%	
feb	610	643	-68	-20	584	645	20	3.5%	1.4%	
mar	626	638	16	8	642	637	0	0.0%	0.9%	0.9%
apr	653	630	27	29	645	624	30	4.8%	1.9%	
may	636	638	-17	7	672	653	27	4.2%	2.3%	
jun	693	661	57	37	678	665	43	6.7%	3.1%	5.3%
jul	686	672	-7	14	684	678	-4	-0.5%	2.5%	
aug	690	690	4	33	724	695	42	6.1%	3.0%	
sep	706	694	16	6	694	700	20	2.9%	3.0%	2.8%
oct	693	696	-13	20	704	707	35	5.2%	3.2%	
nov	677	692	-16	17	660	686	10	1.5%	3.1%	
dec	671	680	-6	30	681	681	15	2.3%	3.0%	3.0%
2003 jan	696	682	25	18	688	676	5	0.7%	0.7%	
feb	642	670	-55	32	592	654	8	1.3%	1.0%	
mar	654	664	13	28	661	647	20	3.1%	1.7%	1.7%
apr	641	646	-14	-12	654	636	9	1.4%	1.6%	
may	642	646	1	6	670	662	-1	-0.2%	1.2%	
jun	701	661	59	7	685	670	7	1.1%	1.2%	0.8%
jul	679	674	-21	-7	712	689	29	4.2%	1.7%	
aug	722	701	43	32	744	714	20	2.8%	1.8%	
sep	734	712	12	28	705	721	12	1.7%	1.8%	2.9%
oct	715	724	-19	22	736	729	33	4.6%	2.1%	
nov	727	725	12	50	683	708	23	3.5%	2.2%	
dec	678	707	-49	7	692	704	11	1.6%	2.2%	3.3%
2004 jan	722	709	44	25	705	693	16	2.4%	2.4%	
feb	671	690	-50	29	639	679	47	8.0%	5.0%	
mar	661	685	-11	6	670	672	9	1.4%	3.8%	3.8%
apr	673	668	13	33	660	656	6	0.8%	3.0%	
may	652	662	-21	11	691	674	20	3.0%	3.0%	
jun	704	677	52	4	705	685	19	2.8%	3.0%	2.3%
jul	733	697	29	54	745	714	33	4.6%	3.2%	
aug	732	723	-1	10	779	743	35	4.7%	3.4%	
sep	770	745	39	37	748	757	42	6.0%	3.7%	5.1%
oct	749	750	-21	35	740	756	3	0.5%	3.4%	
nov	705	742	-44	-22	700	729	18	2.6%	3.3%	
dec	663	706	-42	-15	698	713	6	0.9%	3.1%	1.3%
2005 jan	725	698	62	3	708	702	3	0.4%	0.4%	
feb	652	680	-73	-20	608	672	-31	-4.8%	-2.1%	
mar	646	674	-5	-14	656	657	-15	-2.2%	-2.1%	-2.1%
apr	664	654	17	-10	658	641	-1	-0.2%	-1.6%	
may										
jun										
jul										
aug										
sep										
oct										
nov										
dec										

Hawaiian Electric Company, Inc.

SCHEDULE "R" ANNUAL GWH SALES
(Adjusted for Acquired DSM and HMEC Impacts)

Method	Index	Billed 2004	2005	2006	2007	2008	2009	2010
Box Jenkins	0.9403	2140.3	2179.9	2233.5	2290.4	2343.0	2395.6	2448.3
(Data 76-04) % Incr.			1.9	2.5	2.5	2.3	2.2	2.2
Linear	0.9400	2140.3	2192.4	2254.9	2320.7	2382.3	2443.8	2505.4
(Data 76-04) % Incr.			2.4	2.9	2.9	2.7	2.6	2.5
Exponential	0.9401	2140.3	2185.5	2236.7	2292.4	2345.0	2399.0	2454.2
(Data 76-04) % Incr.			2.1	2.3	2.5	2.3	2.3	2.3
Winters - Linear	0.9416	2140.3	2189.8	2251.7	2316.8	2377.7	2438.6	2499.5
(Data 76-04) % Incr.			2.3	2.8	2.9	2.6	2.6	2.5
Winters - Exponentl	0.9417	2140.3	2183.0	2233.8	2289.0	2341.3	2394.7	2449.5
(Data 76-04) % Incr.			2.0	2.3	2.5	2.3	2.3	2.3
REEPS		2140.3	2200.8	2221.7	2263.4	2305.5	2324.3	2343.5
% Incr.			2.8	1.0	1.9	1.9	0.8	0.8
Res Use Econometric	0.9330	2140.3	2207.2	2254.0	2286.9	2326.3	2365.4	2389.7
(Data 76-04) % Incr.			3.1	2.1	1.5	1.7	1.7	1.0
Total Res Econometric	0.9890	2140.3	2206.5	2249.8	2269.3	2294.1	2318.0	2322.8
(Data 76-04) % Incr.			3.1	2.0	0.9	1.1	1.0	0.2
Forecast Div Analysis		2140.3	2193.9	2239.3	2268.2	2307.4	2344.6	2368.0
(Data 76-04) % Incr.			2.5	2.1	1.3	1.7	1.6	1.0
Recommended								
Forecast Div Analysis		2140.3	2193.9	2239.3	2268.2	2307.4	2344.6	2368.0
% Incr.			2.5	2.1	1.3	1.7	1.6	1.0

Note: Forecasts weather normalized and do not include leap year impacts.

Hawaiian Electric Company, Inc.

SCHEDULE "R" USE PER CUSTOMER
Annual Mwh

Method	2004	2005	2006	2007	2008	2009	2010
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Customer projections (including Kukui Gardens):

Division Analysis customer projections (including Kukui Gardens):

No. of customers	fcst	253,670	256,875	259,827	262,527	265,327	268,127	270,927
	% Incr.		1.3%	1.1%	1.0%	1.1%	1.1%	1.0%
Box Jenkins		8.437	8.486	8.596	8.724	8.831	8.935	9.037
	% Incr.		0.6%	1.3%	1.5%	1.2%	1.2%	1.1%
Linear		8.437	8.535	8.678	8.840	8.979	9.114	9.248
	% Incr.		1.2%	1.7%	1.9%	1.6%	1.5%	1.5%
Exponential		8.437	8.508	8.608	8.732	8.838	8.947	9.059
	% Incr.		0.8%	1.2%	1.4%	1.2%	1.2%	1.3%



rsalesfcst 04-22-05.xls

Schedule R sales forecast
(Reduced by Acquired DSM through 2004. Not Reduced by Future DSM)
May 2005 Weather Normalized Forecast

	No. of customers	Incr	% incr	Use per customer	Incr	% incr	Wx Norm		Kukui Gardens Cust	Kukui Gardens Sales	Including Kukui Gardens			
							Recorded	Recorded			Cust	Use	Sales	% Incr
2000	243,511										243,511	7,793	1,897.7	
2001	246,225	2,714	1.1%	7,800	7	0.09%	1,920.6	1,897.7			246,225	7,800	1,920.6	1.2%
2002	248,765	2,540	1.0%	8,043	243	3.12%	2,000.9	1,920.6			248,765	8,043	2,000.9	4.2%
2003	251,248	2,483	1.0%	8,196	153	1.90%	2,059.3	2,000.9			251,248	8,196	2,059.3	2.9%
2004	253,670	2,422	1.0%	8,441	245	2.99%	2,141.2	2,059.3			253,670	8,441	2,141.2	4.0%
2005	256,370	2,700	1.1%	8,551	110	1.30%	2,192.1	2,141.2	505	3.1	256,875	8,546	2,195.2	2.5%
2006	258,970	2,600	1.0%	8,645	94	1.10%	2,238.7	2,192.1	857	3.3	259,827	8,629	2,242.0	2.1%
2007	261,670	2,700	1.0%	8,671	26	0.30%	2,268.8	2,238.7	857	3.4	262,527	8,655	2,272.2	1.3%
2008	264,470	2,800	1.1%	8,731	61	0.70%	2,309.2	2,268.8	857	3.5	265,327	8,716	2,312.7	1.8%
2009	267,270	2,800	1.1%	8,784	52	0.60%	2,347.6	2,309.2	857	3.7	268,127	8,769	2,351.3	1.7%
2010	270,070	2,800	1.0%	8,784	0	0.00%	2,372.2	2,347.6	857	3.8	270,927	8,770	2,376.0	1.1%

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Hawaiian Electric Company, Inc.

**SCHEDULE "R" ANNUAL GWH SALES
(Weather Normalized)**

Method	Recd 2004	2005	2006	2007	2008	2009	2010
<u>MODEL RESULTS</u>							
Forecast Div Analysis ' (Data 76-04) % Incr.	2141.2	2195.2	2242.0	2272.2	2312.7	2351.3	2376.0
		2.5	2.1	1.3	1.8	1.7	1.1

ADJUSTMENTS

Weather Norm

Acquired DSM Impact

Bill 53 HMEC	-1.3	-2.7	-4.0	-5.3	-6.7	-8.0
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Kukui Gardens

Total Adjustments	-1.3	-2.7	-4.0	-5.3	-6.7	-8.0
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ADJUSTED MODEL RESULTS

Forecast Div Analysis (Data 76-04) % Incr.	2141.2	2193.9	2239.3	2268.2	2307.4	2344.6	2368.0
		2.5	2.1	1.3	1.7	1.6	1.0

* Includes acquired DSM and Kukui Gardens conversion, doesn't include Bill 53 HMEC

HAWAIIAN ELECTRIC COMPANY, INC.
RESIDENTIAL USE PER CUSTOMER ECONOMETRIC MODEL

[residential use/cust] = A + B x [AC Sat] + C x [Electricity Price lagged 1 period] + [Autoregressive parameter]

where,

A = 7036.647 CONST
B = 3698.722 Total AC Saturation
C = -4771.656 Elect price, lagged 1 year (\$/kwh)
D = 0.802 Autoregressive parameter

	Total AC Saturation	Lagged Elect Price	Y-Predicted from Structural Equation		Actual Use	Structural Residual	Auto-Regressive Correction		Y-Predicted Final	% Increase in Y-predicted		Backcast	Customer Count	Sales
			Equation	from Structural			Residual	Correction		Y-predicted	Actual Less Fitted Difference			
1977	0.15	0.1151	7.043		8,031	987			7,043		987		177,722	1,427.2
1978	0.16	0.1202	7.036		7,802	766	791		7,828	11.1%	-25		182,887	1,427.0
1979	0.16	0.1273	7.021		7,853	833	614		7,635	-2.5%	219		185,080	1,453.5
1980	0.16	0.1213	7.067		7,663	596	667		7,735	1.3%	-71		188,761	1,446.5
1981	0.17	0.1332	7.029		7,484	454	478		7,507	-2.9%	-23		191,112	1,430.2
1982	0.18	0.1922	6.768		7,096	318	364		7,132	-5.0%	-46		193,627	1,372.0
1983	0.18	0.1931	6.784		7,041	258	255		7,039	-1.3%	3		195,952	1,379.7
1984	0.19	0.1662	6.933		6,961	28	206		7,139	1.4%	-178		198,542	1,382.0
1985	0.19	0.1657	6.957		6,998	41	22		6,979	-2.2%	19		200,638	1,404.0
1986	0.20	0.1517	7.045		7,122	77	33		7,078	1.4%	44		203,903	1,452.2
1987	0.20	0.1196	7.221		7,294	72	62		7,283	2.9%	11		206,501	1,520.7
1988	0.21	0.1155	7.264		7,385	121	58		7,322	0.5%	63		212,675	1,570.6
1989	0.22	0.1021	7.352		7,546	193	97		7,449	1.7%	96		215,076	1,622.9
1990	0.22	0.0997	7.389		7,614	225	155		7,544	1.3%	70		217,471	1,655.8
1991	0.24	0.1026	7.422		7,557	135	180		7,602	0.8%	-46		221,505	1,673.8
1992	0.25	0.0988	7.489		7,678	190	108		7,597	-0.1%	81		224,418	1,723.1
1993	0.26	0.0982	7.543		7,592	49	152		7,695	1.3%	-103		227,616	1,728.1
1994	0.28	0.1109	7.537		7,668	130	39		7,577	-1.5%	91		232,010	1,779.0
1995	0.32	0.1067	7.702		7,673	-30	104		7,807	3.0%	-134		234,832	1,801.8
1996	0.36	0.1130	7.838		7,872	34	-24		7,814	0.1%	58		236,849	1,864.6
1997	0.37	0.1173	7.856		7,927	-29	27		7,884	0.9%	-56		238,269	1,865.0
1998	0.38	0.1201	7.883		7,661	-222	-23		7,860	-0.3%	-199		239,487	1,834.7
1999	0.39	0.1137	7.954		7,715	-239	-178		7,777	-1.1%	-61		241,167	1,860.6
2000	0.41	0.1139	7.996		7,962	-133	-192		7,804	0.4%	58		243,511	1,914.6
2001	0.44	0.1269	8.062		7,920	-142	-107		7,956	1.9%	-36		246,226	1,950.1
2002	0.48	0.1252	8.210		8,114	-97	-114		8,096	1.8%	17		248,765	2,018.4
2003	0.51	0.1184	8.353		8,315	-38	-77		8,275	2.2%	40		251,248	2,089.1
2004	0.54	0.1251	8.438		8,516	79	-30		8,407	1.6%	109	8,516	253,670	2,160.4

HAWAIIAN ELECTRIC COMPANY, INC.
RESIDENTIAL USE PER CUSTOMER ECONOMETRIC MODEL

[residential use/cust] = A + B x [AC Sat] + C x [Electricity Price lagged 1 period] + [Autoregressive parameter]

where,

A = 7036.647 CONST
 B = 3698.722 Total AC Saturation
 C = -4771.656 Elect price, lagged 1 year (\$/kwh)
 D = 0.802 Autoregressive parameter

	Total AC Saturation	Lagged Elect Price	Y-Predicted from Structural Equation	Actual Use	Structural Residual	Auto- Regressive Y-Predicted Correction	Final	% Increase in Y-predicted	Actual Less Fitted Difference	Backcast	Customer Count	Sales
Base Scenario												
2005	0.57	0.1265	8,551			63	8,614	2.5%		8,726	256,370	2,237.1
2006	0.59	0.1215	8,656				8,707	1.1%		8,820	258,970	2,284.1
2007	0.61	0.1240	8,689				8,730	0.3%		8,843	261,670	2,314.0
2008	0.62	0.1191	8,756				8,789	0.7%		8,903	264,470	2,354.6
2009	0.63	0.1150	8,820				8,846	0.6%		8,961	267,270	2,394.9
2010	0.64	0.1188	8,826				8,847	0.0%		8,962	270,070	2,420.4

Hawaiian Electric Company, Inc.

**SCHEDULE "R" ANNUAL GWH SALES
(Weather Normalized)**

Method	Billed 2004	2005	2006	2007	2008	2009	2010
<u>MODEL RESULTS</u>							
Res Use Econometric (Data 76-04) % Incr.	2160.4	2237.1	2284.1	2314.0	2354.6	2394.9	2420.4
		3.6	2.1	1.3	1.8	1.7	1.1

ADJUSTMENTS

Weather Norm	10.3						
Acquired DSM Impact	-30.4	-31.7	-30.7	-26.5	-26.5	-26.5	-26.5
Bill 53 HMEC		-1.3	-2.7	-4.0	-5.3	-6.7	-8.0
Kukui Gardens		3.1	3.3	3.4	3.5	3.7	3.8
Total Adjustments	-20.1	-29.9	-30.1	-27.1	-28.3	-29.5	-30.7

ADJUSTED MODEL RESULTS

Res Use Econometric (Data 76-04) % Incr.	2140.3	2207.2	2254.0	2286.9	2326.3	2365.4	2389.7
		3.1	2.1	1.5	1.7	1.7	1.0

Project: S:\EnergyServices\MKTFCST\heco05\econometrics\model\resmodel2.NDM
Model: ResUse
Dependent Variable: res.usePERcust
Date: May 02, 2005
Time: 09:56 AM
Estimation Begin Date: 1977:1
Estimation End Date: 2004:1
Forecast Period End Date: 2010:1

Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	7036.647	369.713	19.033	0%
Trans2.reslagprice	-4771.656	1333.900	-3.577	0%
res.TotalACSat	3698.722	838.833	4.409	0%
AR(1)	0.802	0.087	9.230	0%

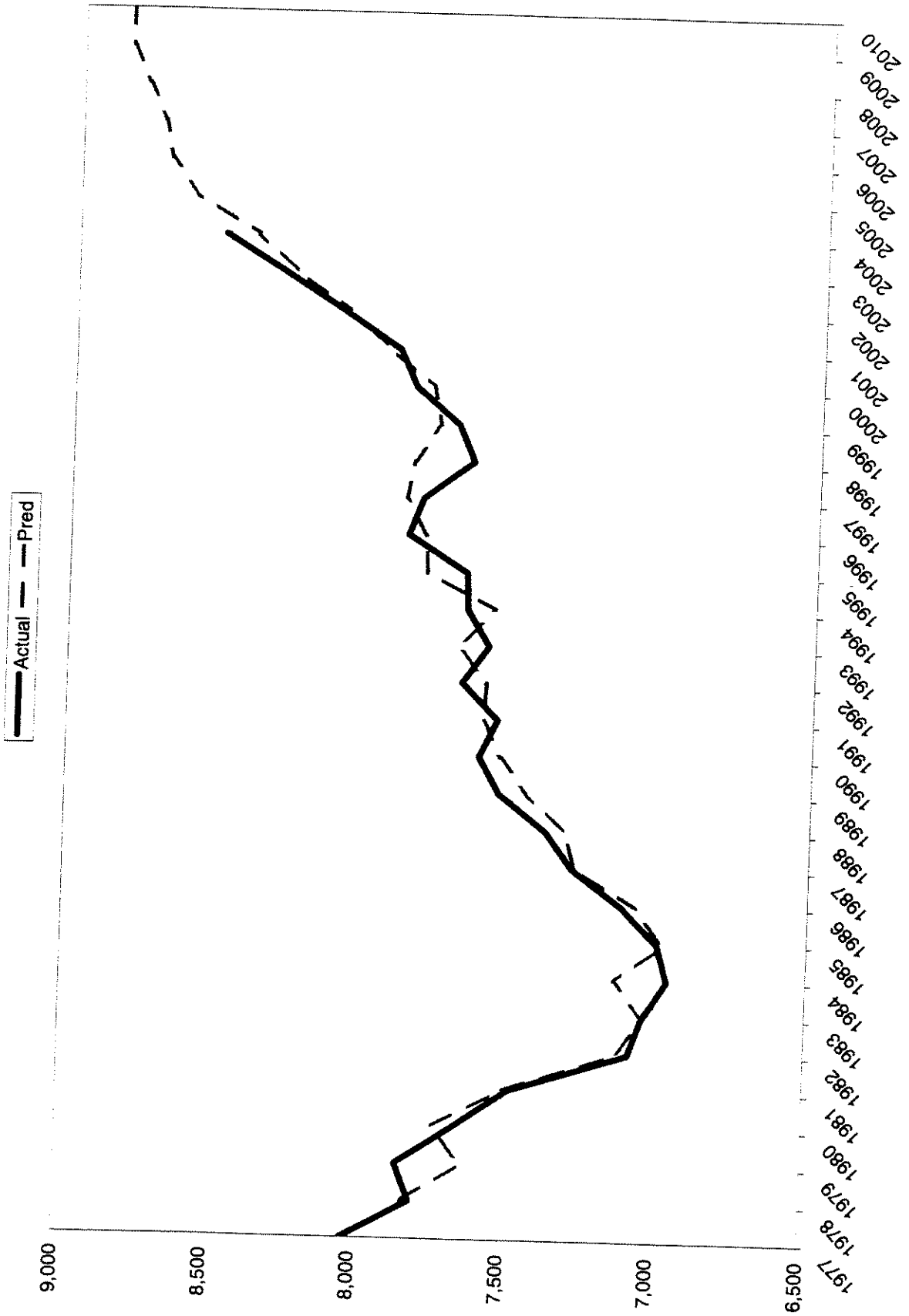
Regression Statistics

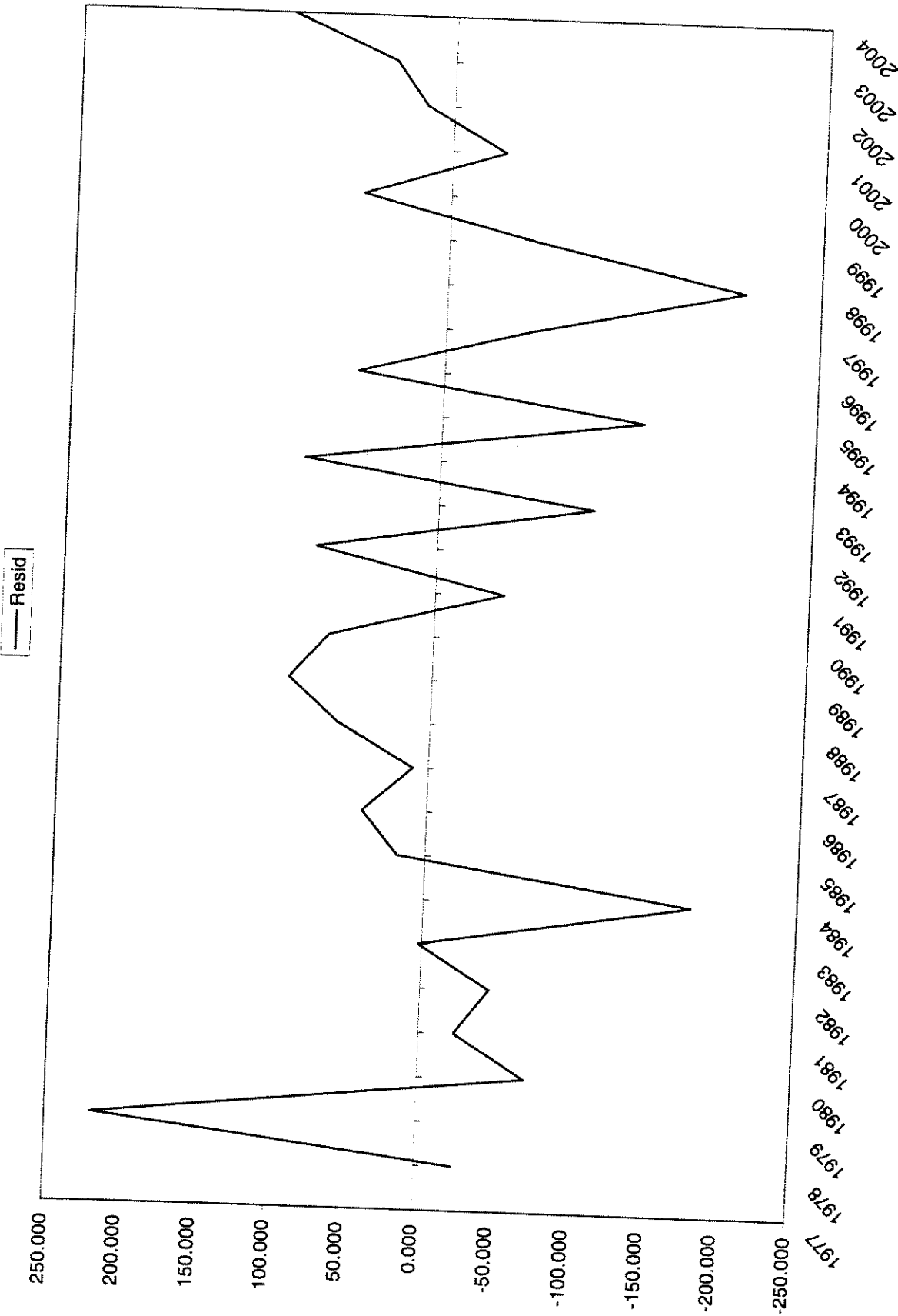
Iterations	6
Adjusted Observations	27
Deg. of Freedom for Error	23
R-Squared	0.941
Adjusted R-Squared	0.933
Durbin-Watson Statistic	2.244
Durbin-H Statistic	0.000
AIC	9.313
BIC	9.505
F-Statistic	122.450
Prob (F-Statistic)	0.000
Log-Likelihood	-154.11
Model Sum of Squares	3552810
Sum of Squared Errors	222443
Mean Squared Error	9671.45
Std. Error of Regression	98.34
Mean Abs. Dev. (MAD)	72.53
Mean Abs. % Err. (MAPE)	0.95%
Ljung-Box Statistic	6.68
Prob (Ljung-Box)	0.245

Forecast Statistics

Forecast Observations	0
Mean Abs. Dev. (MAD)	0.00
Mean Abs. % Err. (MAPE)	0.00%
Avg. Forecast Error	0.00
Mean % Error	0.00%
Root Mean-Square Error	0.000
Theil's Inequality Coefficient	0.000
-- Bias Proportion	0.00%
-- Variance Proportion	0.00%
-- Covariance Proportion	0.00%

Variable	Coefficient	Mean	Elast
Trans2.reslagprice	-4771.656	0.125	-0.078
res.TotalACSat	3698.722	0.279	0.135





Data

Year	usePERcust	reslagprice	TotalACSat
1977	8,030.76	0.11509	0.1503
1978	7,802.37	0.12019	0.1550
1979	7,853.21	0.12725	0.1598
1980	7,663.37	0.12130	0.1648
1981	7,483.59	0.13324	0.1699
1982	7,085.64	0.19222	0.1752
1983	7,041.07	0.19308	0.1807
1984	6,960.76	0.16618	0.1863
1985	6,997.82	0.16569	0.1921
1986	7,122.17	0.15174	0.1981
1987	7,293.64	0.11962	0.2042
1988	7,384.90	0.11552	0.2106
1989	7,545.58	0.10213	0.2171
1990	7,614.03	0.09974	0.2239
1991	7,556.52	0.10260	0.2364
1992	7,678.21	0.09882	0.2497
1993	7,592.01	0.09823	0.2636
1994	7,667.67	0.11085	0.2784
1995	7,672.79	0.10673	0.3177
1996	7,872.48	0.11301	0.3625
1997	7,827.48	0.11734	0.3730
1998	7,661.02	0.12012	0.3837
1999	7,715.15	0.11372	0.3948
2000	7,862.46	0.11388	0.4062
2001	7,920.12	0.12687	0.4410
2002	8,113.68	0.12516	0.4788
2003	8,314.86	0.11843	0.5086
2004	8,516.41	0.12514	0.5402
2005		0.12646	0.5726
2006		0.12153	0.5947
2007		0.12395	0.6067
2008		0.11913	0.6187
2009		0.11497	0.6305
2010		0.11880	0.6372

DStat

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Variable	Mean	StdDev	Min	Max	CorrYX	Units	Definition
usePERcust	7,637.491	381.791	6,960.756	8,516.409	1.000		
reslagprice	0.125496	0.025577	0.098230	0.193083	-0.586		residential lag price updated
TotalACSat	0.27938	0.11851	0.15032	0.54020	0.696		

Corr

	usePERcust	reslagprice	TotalACSat
usePERcust	1.000	-0.586	0.696
reslagprice	-0.586	1.000	-0.279
TotalACSat	0.696	-0.279	1.000

Coef

Variable	Coefficient	StdErr	T-Stat	P-Value	Units	Definition
CONST	7036.647	369.713	19.033	0.00%		Constant term
Trans2.reslagprice	-4771.656	1333.900	-3.577	0.18%		residential lag price updated
res.TotalACSat	3698.722	838.833	4.409	0.02%		
AR(1)	0.802	0.087	9.230	0.00%		

MStat

Regression Statistics		Forecast Statistics	
Iterations	6	Forecast Observations	0
Adjusted Observations	27	Mean Abs. Dev. (MAD)	0.00
Deg. of Freedom for Error	23	Mean Abs. % Err. (MAPE)	0.00%
R-Squared	0.941	Avg. Forecast Error	0.00
Adjusted R-Squared	0.933	Mean % Error	0.00%
Durbin-Watson Statistic	2.244	Root Mean-Square Error	0.000
Durbin-H Statistic	#NA	Theil's Inequality Coefficient	0.0000
AIC	9.313	-- Bias Proportion	0.00%
BIC	9.505	-- Variance Proportion	0.00%
F-Statistic	122.450	-- Covariance Proportion	0.00%
Prob (F-Statistic)	0.0000		
Log-Likelihood	-154.11		
Model Sum of Squares	3552810		
Sum of Squared Errors	222443		
Mean Squared Error	9671.45		
Std. Error of Regression	98.34		
Mean Abs. Dev. (MAD)	72.53		
Mean Abs. % Err. (MAPE)	0.95%		
Ljung-Box Statistic	6.68		
Prob (Ljung-Box)	0.2454		

Err

Year	Actual	Pred	Resid	%Resid	StdResid
1977	8,030.761				
1978	7,802.371	7,827.833	-25.463	-0.33%	-0.259
1979	7,853.206	7,634.517	218.688	2.78%	2.224
1980	7,663.367	7,734.766	-71.399	-0.93%	-0.726
1981	7,483.588	7,507.085	-23.497	-0.31%	-0.239
1982	7,085.642	7,131.610	-45.968	-0.65%	-0.467
1983	7,041.071	7,038.557	2.515	0.04%	0.026
1984	6,960.756	7,139.163	-178.406	-2.56%	-1.814
1985	6,997.821	6,978.946	18.875	0.27%	0.192
1986	7,122.170	7,078.324	43.846	0.62%	0.446
1987	7,293.637	7,282.931	10.706	0.15%	0.109
1988	7,384.902	7,322.370	62.531	0.85%	0.636
1989	7,545.580	7,449.127	96.452	1.28%	0.981
1990	7,614.031	7,543.629	70.402	0.92%	0.716
1991	7,556.518	7,602.054	-45.536	-0.60%	-0.463
1992	7,678.210	7,596.756	81.454	1.06%	0.828
1993	7,592.008	7,695.065	-103.057	-1.36%	-1.048
1994	7,667.669	7,576.646	91.023	1.19%	0.926
1995	7,672.789	7,806.763	-133.974	-1.75%	-1.362
1996	7,872.475	7,814.483	57.992	0.74%	0.590
1997	7,827.479	7,883.706	-56.228	-0.72%	-0.572
1998	7,661.018	7,859.728	-198.711	-2.59%	-2.021
1999	7,715.145	7,776.558	-61.413	-0.80%	-0.624
2000	7,862.462	7,803.996	58.466	0.74%	0.595
2001	7,920.118	7,955.662	-35.543	-0.45%	-0.361
2002	8,113.684	8,096.266	17.418	0.21%	0.177
2003	8,314.863	8,275.123	39.740	0.48%	0.404
2004	8,516.409	8,407.324	109.085	1.28%	1.109
2005		8,614.349			
2006		8,707.024			
2007		8,729.872			
2008		8,788.984			
2009		8,846.007			
2010		8,847.355			

Elas

Variable	Coefficient	Mean	Elast	Units	Definition
reslagprice	-4771.656	0.125496	-0.078		residential lag price updated
TotalACSat	3698.722	0.27938	0.135		

BX

Year	Pred	CONST	reslagprice	TotalACSat
1977		7,036.647	-549.185	556.006
1978	7,827.833	7,036.647	-573.496	573.310
1979	7,634.517	7,036.647	-607.203	591.152
1980	7,734.766	7,036.647	-578.816	609.549
1981	7,507.085	7,036.647	-635.798	628.519
1982	7,131.610	7,036.647	-917.201	648.080
1983	7,038.557	7,036.647	-921.328	668.249
1984	7,139.163	7,036.647	-792.934	689.045
1985	6,978.946	7,036.647	-790.631	710.489
1986	7,078.324	7,036.647	-724.040	732.600
1987	7,282.931	7,036.647	-570.806	755.400
1988	7,322.370	7,036.647	-551.215	778.908
1989	7,449.127	7,036.647	-487.305	803.149
1990	7,543.629	7,036.647	-475.934	828.144
1991	7,602.054	7,036.647	-489.583	874.500
1992	7,596.756	7,036.647	-471.515	923.450
1993	7,695.065	7,036.647	-468.720	975.140
1994	7,576.646	7,036.647	-528.954	1,029.724
1995	7,806.763	7,036.647	-509.295	1,175.007
1996	7,814.483	7,036.647	-539.249	1,340.787
1997	7,883.706	7,036.647	-559.914	1,379.487
1998	7,859.728	7,036.647	-573.185	1,419.305
1999	7,776.558	7,036.647	-542.615	1,460.272
2000	7,803.996	7,036.647	-543.373	1,502.421
2001	7,955.662	7,036.647	-605.360	1,631.168
2002	8,096.266	7,036.647	-597.238	1,770.948
2003	8,275.123	7,036.647	-565.109	1,881.075
2004	8,407.324	7,036.647	-597.115	1,998.050
2005	8,614.349	7,036.647	-603.443	2,117.962
2006	8,707.024	7,036.647	-579.899	2,199.631
2007	8,729.872	7,036.647	-591.447	2,244.076
2008	8,788.984	7,036.647	-568.447	2,288.245
2009	8,846.007	7,036.647	-548.597	2,331.876
2010	8,847.355	7,036.647	-566.873	2,356.674

YHat

Year	Actual	Pred	Upper	Lower	Sigma
1977	8,030.761				
1978	7,802.371	7,827.833	8,069.653	7,586.014	241.819
1979	7,853.206	7,634.517	7,871.351	7,397.683	236.834
1980	7,663.367	7,734.766	7,972.941	7,496.590	238.175
1981	7,483.588	7,507.085	7,740.207	7,273.964	233.122
1982	7,085.642	7,131.610	7,436.773	6,826.447	305.163
1983	7,041.071	7,038.557	7,345.488	6,731.626	306.931
1984	6,960.756	7,139.163	7,395.042	6,883.284	255.879
1985	6,997.821	6,978.946	7,233.614	6,724.279	254.667
1986	7,122.170	7,078.324	7,315.179	6,841.470	236.854
1987	7,293.637	7,282.931	7,512.187	7,053.675	229.256
1988	7,384.902	7,322.370	7,553.004	7,091.737	230.634
1989	7,545.580	7,449.127	7,692.243	7,206.011	243.116
1990	7,614.031	7,543.629	7,788.480	7,298.779	244.851
1991	7,556.518	7,602.054	7,840.614	7,363.494	238.560
1992	7,678.210	7,596.756	7,838.002	7,355.510	241.246
1993	7,592.008	7,695.065	7,935.036	7,455.095	239.971
1994	7,667.669	7,576.646	7,801.501	7,351.791	224.855
1995	7,672.789	7,806.763	8,034.017	7,579.509	227.254
1996	7,872.475	7,814.483	8,041.563	7,587.403	227.080
1997	7,827.479	7,883.706	8,111.422	7,655.991	227.715
1998	7,661.018	7,859.728	8,089.502	7,629.955	229.773
1999	7,715.145	7,776.558	8,009.363	7,543.753	232.805
2000	7,862.462	7,803.996	8,039.424	7,568.567	235.429
2001	7,920.118	7,955.662	8,203.813	7,707.510	248.151
2002	8,113.684	8,096.266	8,357.808	7,834.724	261.542
2003	8,314.863	8,275.123	8,546.305	8,003.941	271.182
2004	8,516.409	8,407.324	8,696.261	8,118.386	288.938
2005		8,614.349	8,920.445	8,308.254	306.095
2006		8,707.024	9,081.251	8,332.798	374.227
2007		8,729.872	9,110.849	8,348.895	380.977
2008		8,788.984	9,172.960	8,405.008	383.976
2009		8,846.007	9,233.776	8,458.239	387.769
2010		8,847.355	9,239.899	8,454.811	392.544

Residential AC saturation (%)

	central ac room ac total ac	survey pt	growth #1	interpolated #1	ac stock	ac stock increment	CustCnt	estimate % increm w/ AC	AC in new homes	AC as retrofit	% exist home retro
1976			3.1%	14.58	25,536	175,157					
1977			3.1%	15.03	26,716	1,180	2,565	10	257	923	0.5%
1978			3.1%	15.50	28,348	1,632	5,165	10	517	1,115	0.6%
1979			3.1%	15.98	29,581	1,233	2,193	10	219	1,014	0.6%
1980			3.1%	16.48	31,108	1,527	3,681	10	368	1,159	0.6%
1981	0.18	16.48	3.1%	16.99	32,475	1,368	2,351	10	235	1,133	0.6%
1982			3.1%	17.52	33,927	1,451	2,515	10	252	1,199	0.6%
1983			3.1%	18.07	35,403	1,476	2,325	10	233	1,243	0.6%
1984			3.1%	18.63	36,987	1,584	2,590	10	259	1,325	0.7%
1985			3.1%	19.21	38,541	1,554	2,096	10	210	1,344	0.7%
1986			3.1%	19.81	40,387	1,846	3,265	10	327	1,519	0.8%
1987			3.1%	20.42	42,583	2,196	4,598	10	460	1,736	0.9%
1988			3.1%	21.06	44,787	2,204	4,174	10	417	1,787	0.9%
1989			3.1%	21.71	46,702	1,915	2,401	10	240	1,675	0.8%
1990	1.75	20.64	3.1%	22.39	48,692	1,990	2,395	20	479	1,511	0.7%
1991			5.6%	23.64	52,371	3,679	4,034	20	807	2,872	1.3%
1992			5.6%	24.97	56,030	3,659	2,913	30	874	2,785	1.3%
1993			5.6%	26.36	60,009	3,979	3,198	30	959	3,020	1.3%
1994	4.91	22.93	5.6%	27.84	64,592	4,582	4,394	40	1758	2,824	1.2%
1995			14.1%	31.77	74,601	10,010	2,822	40	1129	8,881	3.8%
1996	2.63	33.62	14.1%	36.25	85,858	11,257	2,017	50	1009	10,248	4.4%
1997			2.9%	37.30	88,866	3,008	1,420	50	710	2,298	1.0%
1998			2.9%	38.37	91,898	3,032	1,218	70	853	2,179	0.9%
1999			2.9%	39.48	95,214	3,316	1,680	70	1176	2,140	0.9%
2000	8.45	32.17	2.9%	40.62	98,914	3,700	2,344	80	1875	1,825	0.8%
2001		40.62	8.6%	44.10	108,588	9,674	2,715	80	2172	7,502	3.1%
2002	9.09	38.79	8.6%	47.88	119,109	10,521	2,539	80	2031	8,490	3.4%
2003		47.88	6.2%	50.86	127,778	8,670	2,483	80	1986	6,684	2.7%
2004	13.89	40.13	6.2%	54.02	137,033	9,254	2,422	80	1938	7,316	2.9%
Base Scenario											
2005				57.26	146,803	9,770	2,700	80	2160	7,610	3.0%
2006				59.47	154,010	7,207	2,600	80	2080	5,127	2.0%
2007				60.67	158,760	4,750	2,700	80	2160	2,590	1.0%
2008				61.87	163,617	4,857	2,800	80	2240	2,617	1.0%
2009				63.05	168,502	4,885	2,800	80	2240	2,645	1.0%
2010				63.72	172,078	3,576	2,800	80	2240	1,336	0.5%

Hawaiian Electric Company, Inc.

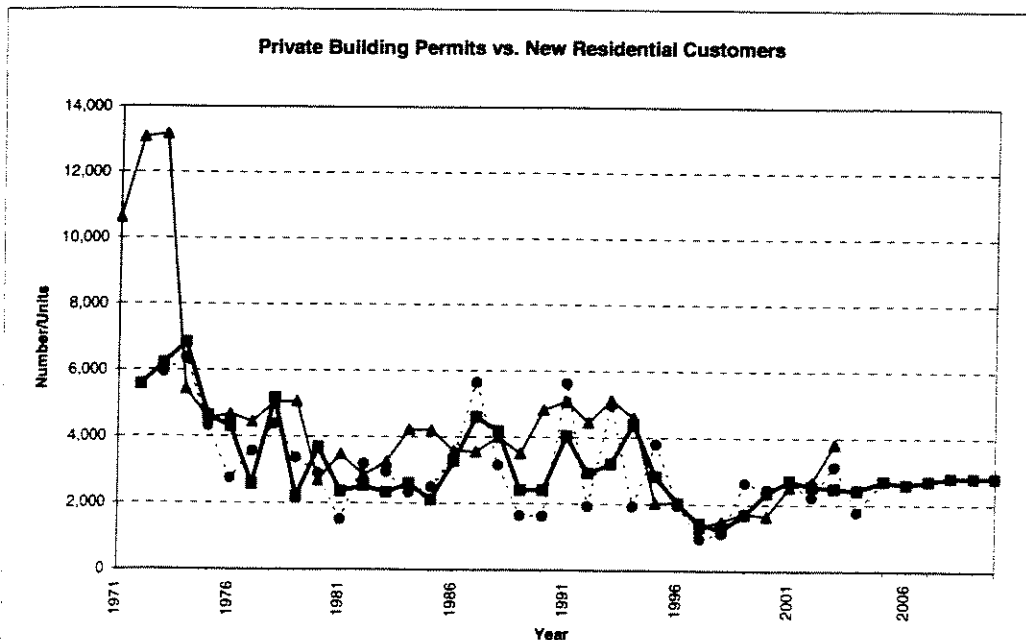
**AVERAGE ELECTRICITY PRICES (CENTS / KWH)
ADJUSTED FOR INFLATION (1992 \$)**

Year	Inflation Factor	Base Price Scenario					
		R	G/J	H/K	P	Total	Comm'l
1975	56.3	11.939	14.418	11.936	8.130	10.314	9.619
1976	59.1	11.509	13.661	11.354	7.859	9.922	9.247
1977	62.1	12.019	14.098	11.761	8.488	10.472	9.837
1978	66.9	12.725	14.570	12.375	9.190	11.138	10.510
1979	74.4	12.130	13.752	11.798	8.929	10.686	10.121
1980	83.0	13.324	14.972	13.246	10.587	12.132	11.679
1981	91.7	19.222	20.502	19.075	16.453	17.946	17.469
1982	97.2	19.308	19.883	18.857	16.165	17.693	17.109
1983	99.3	16.618	17.140	16.075	13.468	14.988	14.403
1984	103.5	16.569	16.817	15.716	13.331	14.854	14.251
1985	106.9	15.174	15.405	14.356	12.007	13.514	12.920
1986	109.4	11.962	11.740	10.929	8.790	10.255	9.661
1987	114.9	11.552	11.467	10.850	8.619	10.040	9.502
1988	121.8	10.213	10.024	9.352	7.389	8.732	8.213
1989	128.8	9.974	9.851	9.309	7.332	8.617	8.139
1990	138.2	10.260	10.165	9.618	7.786	8.987	8.546
1991	148.0	9.882	9.668	9.133	7.496	8.642	8.209
1992	155.2	9.823	9.353	9.103	7.166	8.412	7.913
1993	160.1	11.085	10.277	10.331	8.132	9.468	8.890
1994	164.6	10.673	9.764	9.886	7.654	9.033	8.443
1995	168.2	11.301	9.986	10.459	7.888	9.411	8.745
1996	170.8	11.734	10.378	10.639	8.257	9.796	9.107
1997	172.0	12.012	10.419	10.915	8.401	9.989	9.227
1998	171.5	11.372	9.710	10.280	7.711	9.277	8.533
1999	173.3	11.388	9.796	10.273	7.703	9.328	8.589
2000	176.3	12.687	11.207	11.441	9.072	10.693	9.981
2001	178.4	12.516	11.075	11.065	9.027	10.599	9.911
2002	180.3	11.843	10.515	10.326	8.455	10.025	9.350
2003	184.5	12.514	11.181	10.908	9.191	10.735	10.061
2004	191.0	12.646	11.342	11.042	9.432	10.929	10.268
Forecast							
2005	197.6	12.153	10.899	10.611	9.064	10.502	9.867
2006	204.9	12.395	11.116	10.823	9.244	10.712	10.064
2007	212.2	11.913	10.684	10.402	8.885	10.295	9.673
2008	218.6	11.497	10.311	10.038	8.575	9.936	9.335
2009	224.5	11.880	10.655	10.373	8.861	10.267	9.646
2010	230.3	11.974	10.739	10.455	8.931	10.348	9.722

	Honolulu C&C Pvt Bldg Permits			Yr - End	Average	Increase in	
	SF	MF	Total			Yr - End	Average
1970							
1971	3,771	4,087	7,858		147,621		
1972	3,352	7,265	10,617	156,249	153,179		5,558
1973	3,008	10,057	13,065	162,180	159,389	5,931	6,210
1974	1,626	11,534	13,160	168,525	166,226	6,345	6,837
1975	1,078	4,352	5,430	172,839	170,853	4,314	4,627
1976	1,326	3,198	4,524	175,581	175,157	2,742	4,304
1977	2,210	2,472	4,682	178,120	177,722	2,550	6,222

1978	2,075	2,371	4,446		183,519	182,887	4,380	5,165	
1979	3,046	1,988	5,034		186,875	185,080	3,356	2,193	
1980	1,650	3,411	5,061		189,771	188,761	2,896	3,681	
1981	768	1,915	2,683		191,283	191,112	1,512	2,351	
1982	891	2,585	3,476		194,468	193,627	3,185	2,515	
1983	1,562	1,280	2,842		197,400	195,952	2,932	2,325	
1984	2,199	1,054	3,253		199,722	198,542	2,322	2,590	
1985	2,313	1,905	4,218		202,222	200,638	2,500	2,096	
1986	2,024	2,188	4,212		205,636	203,903	3,414	3,265	
1987	2,684	905	3,589		211,277	208,501	5,641	4,598	
1988	2,001	1,549	3,550		214,429	212,675	3,152	4,174	
1989	2,026	1,974	4,000		216,063	215,076	1,634	2,401	
1990	2,050	1,458	3,508		217,681	217,471	1,618	2,395	
1991	1,303	3,517	4,820		223,304	221,505	5,623	4,034	
1992	2,269	2,809	5,078		225,229	224,418	1,925	2,913	
1993	2,180	2,274	4,454		230,192	227,616	4,963	3,198	
1994	2,769	2,356	5,125		232,115	232,010	1,923	4,394	
1995	2,130	2,458	4,588		235,905	234,832	3,790	2,822	
1996	1,183	841	2,024		237,860	236,849	1,955	2,017	
1997	1,188	856	2,044	1%	238,825	238,269	965	1,420	
1998	1,279	38	1,317	-36%	239,945	239,487	1,120	1,218	
1999	1,446	48	1,494	13%	242,579	241,167	2,634	1,680	
2000	1,685	46	1,731	16%	245,027	243,512	2,448	2,345	
2001	1,650	0	1,650	-5%	247,672	246,225	2,645	2,713	5-yr avg
2002	1,940	581	2,521	53%	249,896	248,765	2,224	2,540	1.0%
2003	2,419	253	2,672	6%	253,033	251,248	3,137	2,483	1.0%
2004	1,849	1,962	3,811	43%	254,797	253,670	1,764	2,422	1.0%
2005					257,497	256,370	2,700	2,700	1.1%
2006					260,097	258,970	2,600	2,600	1.0%
2007					262,797	261,670	2,700	2,700	1.0%
2008					265,597	264,470	2,800	2,800	1.1%
2009					268,397	267,270	2,800	2,800	1.1%
2010					271,197	270,070	2,800	2,800	1.0%

bold = actual



Hawaiian Electric Company, Inc.
COMMERCIAL (G,J,H,P) ANNUAL GWH SALES
(Adjusted for Acquired DSM Impacts, HMEC, Efficiency Improvements,
Rate Transfers, and New Loads)

Method	Index	Billed 2004	2005	2006	2007	2008	2009	2010
Box Jenkins	0.9776	5520.8	5513.6	5656.8	5781.1	5882.2	5996.7	6159.8
(Data 76-04) % Incr.			-0.1	2.6	2.2	1.7	1.9	2.7
Linear	0.9787	5520.8	5537.2	5699.9	5843.7	5964.2	6098.2	6280.8
(Data 76-04) % Incr.			0.3	2.9	2.5	2.1	2.2	3.0
Exponential	0.9784	5520.8	5533.7	5690.9	5830.4	5947.7	6079.6	6261.2
(Data 76-04) % Incr.			0.2	2.8	2.5	2.0	2.2	3.0
Winters - Linear	0.9821	5520.8	5532.0	5694.7	5838.5	5959.0	6093.0	6275.6
(Data 76-04) % Incr.			0.2	2.9	2.5	2.1	2.2	3.0
Winters - Exponential	0.9819	5520.8	5524.8	5673.9	5805.0	5913.7	6036.8	6209.5
(Data 76-04) % Incr.			0.1	2.7	2.3	1.9	2.1	2.9
Total Com'l Econmtric	0.9950	5520.8	5592.7	5751.2	5886.1	5991.0	6109.0	6271.6
(Data 77-04) % Incr.			1.3	2.8	2.3	1.8	2.0	2.7
Bus Sect Analysis		5520.8	5584.6	5793.2	6006.7			
% Incr.			1.2	3.7	3.7			
Forecast Div Analysis		5520.8	5584.6	5793.2	6006.7	6113.7	6234.1	6400.0
% Incr.			1.2	3.7	3.7	1.8	2.0	2.7
<u>Recommended</u>								
Forecast Div Analysis		5520.8	5584.6	5793.2	6006.7	6113.7	6234.1	6400.0
% Incr.			1.2	3.7	3.7	1.8	2.0	2.7

Note: Forecasts weather normalized and do not include CHP, EDR or leap year impacts.

Hawaiian Electric Company, Inc.

**BILLED GWHS BY BUILDING TYPE
WEATHER NORMALIZED WITH ACQUIRED DSM**

Building Type	Weather Norm Billed			May 2005 Forecast		
	2002	2003	2004	2005	2006	2007
Offices	785.4	783.9	791.0	795.4	800.2	804.2
Restaurant	238.0	241.6	244.9	251.2	256.4	261.0
Retail (Non Food)	466.2	471.2	476.1	487.0	505.5	522.1
Grocery (Retail - Food)	204.1	201.4	203.7	209.4	212.5	215.7
Warehouse	124.9	125.3	128.7	135.9	144.2	149.2
Education	362.2	377.6	380.4	388.1	418.6	435.5
Health	211.8	217.5	221.5	230.7	241.3	252.3
Lodging (Hotels)	407.6	412.0	421.0	422.5	424.7	443.2
Housing (Apt/Condo)	430.8	432.6	434.2	437.5	470.7	499.8
Service/Amusement	360.8	367.5	367.6	376.6	380.6	386.0
Air Facilities	120.3	118.6	118.8	120.6	123.3	127.0
Manufacturing	104.2	102.6	118.1	130.6	113.0	120.6
Pumping (incl BWS)	198.8	204.2	190.9	195.3	206.6	220.7
Military/Base	1,155.1	1,157.6	1,200.8	1,254.7	1,343.1	1,413.3
Food Processing	77.5	74.2	69.8	68.0	69.7	71.6
Others	77.0	78.9	78.7	81.1	82.8	84.5
Grand Total	5,324.7	5,366.7	5,446.2	5,584.6	5,793.2	6,006.7

Building Type	2003	2004	2005	2006	2007
Offices	-0.2%	0.9%	0.6%	0.6%	0.5%
Restaurant	1.5%	1.4%	2.6%	2.1%	1.8%
Retail (Non Food)	1.1%	1.0%	2.3%	3.8%	3.3%
Grocery (Retail - Food)	-1.3%	1.1%	2.8%	1.5%	1.5%
Warehouse	0.3%	2.7%	5.6%	6.1%	3.5%
Education	4.3%	0.7%	2.0%	7.9%	4.0%
Health	2.7%	1.8%	4.2%	4.6%	4.6%
Lodging (Hotels)	1.1%	2.2%	0.4%	0.5%	4.4%
Housing (Apt/Condo)	0.4%	0.4%	0.8%	7.6%	6.2%
Service/Amusement	1.9%	0.0%	2.4%	1.1%	1.4%
Air Facilities	-1.4%	0.2%	1.5%	2.2%	3.0%
Manufacturing	-1.5%	15.1%	10.6%	-13.5%	6.7%
Pumping (incl BWS)	2.7%	-6.5%	2.3%	5.8%	6.8%
Military/Base	0.2%	3.7%	4.5%	7.0%	5.2%
Food Processing	-4.3%	-5.9%	-2.6%	2.5%	2.7%
Others	2.5%	-0.3%	3.0%	2.1%	2.1%
Grand Total	0.8%	1.5%	2.5%	3.7%	3.7%

**San Electric Company, Inc.
' 2005 FORECAST VS. JUNE 2004 UPDATE
ED BILLED SALES WITH ACQUIRED DSM**

n 2004 Sales Update			May 2005 Forecast			5/05-8/04 Diff		
	2005	2006	2005	2006	2007	2004 *	2005	2006
2.3	798.9	807.1	795.4	800.2	804.2	-1.3	-3.5	-6.9
6.8	251.8	257.0	251.2	256.4	261.0	-1.9	-0.6	-0.6
1.9	506.3	521.4	487.0	505.5	522.1	-5.8	-19.3	-15.9
4.2	208.3	211.6	209.4	212.5	215.7	-0.5	1.1	0.9
4.1	144.9	146.9	135.9	144.2	149.2	-5.4	-9.0	-2.7
4.0	427.0	446.2	388.1	418.6	435.5	-13.6	-38.9	-27.6
3.3	228.9	234.6	230.7	241.3	252.3	-1.8	1.8	6.7
2.5	423.0	429.9	422.5	424.7	443.2	1.5	-0.5	-5.2
9.8	448.6	458.0	437.5	470.7	499.8	-6.6	-11.1	12.7
4.7	382.5	385.6	376.6	380.6	386.0	-7.1	-5.9	-5.0
1.1	122.8	124.8	120.6	123.3	127.0	-2.3	-2.2	-1.5
1.2	115.6	119.7	130.6	113.0	120.6	7.9	15.0	-6.7
1.1	246.3	261.4	195.3	206.6	220.7	-25.2	-51.0	-54.8
1.7	1,235.8	1,347.4	1,254.7	1,343.1	1,413.3	4.1	18.9	-4.3
1.1	73.6	75.1	68.0	69.7	71.6	-2.3	-5.6	-5.4
1.5	83.4	85.5	81.1	82.8	84.5	-1.8	-2.3	-2.7
1.3	5,697.7	5,912.2	5,584.6	5,793.2	6,006.7	-62.1	-113.1	-119.0

	2005	2006	2007
%	0.6%	0.6%	0.5%
%	2.6%	2.1%	1.8%
%	2.3%	3.8%	3.3%
%	2.8%	1.5%	1.5%
%	5.6%	6.1%	3.5%
%	2.0%	7.9%	4.0%
%	4.2%	4.6%	4.6%
%	0.4%	0.5%	4.4%
%	0.8%	7.6%	6.2%
%	2.4%	1.1%	1.4%
%	1.5%	2.2%	3.0%
%	10.6%	-13.5%	6.7%
%	2.3%	5.8%	6.8%
%	4.5%	7.0%	5.2%
%	-2.6%	2.5%	2.7%
%	3.0%	2.1%	2.1%
%	2.5%	3.7%	3.7%

	2005	2006	2007
%	0.8%	1.0%	1.0%
%	2.0%	2.1%	2.1%
%	5.1%	3.0%	3.0%
%	2.0%	1.6%	1.6%
%	8.1%	1.4%	1.4%
%	8.4%	4.5%	4.5%
%	2.5%	2.5%	2.5%
%	0.8%	1.6%	1.6%
%	1.8%	2.1%	2.1%
%	2.1%	0.8%	0.8%
%	1.4%	1.6%	1.6%
%	4.9%	3.5%	3.5%
%	14.0%	6.1%	6.1%
%	3.3%	9.0%	9.0%
%	2.1%	2.0%	2.0%
%	3.6%	2.5%	2.5%
%	3.4%	3.8%	3.8%

	2004 *	2005	2006
%	0.7%	-0.2%	-0.4%
%	0.6%	0.6%	0.0%
%	-0.2%	-2.8%	0.8%
%	0.9%	0.8%	-0.1%
%	-1.5%	-2.5%	4.7%
%	-2.9%	-6.4%	3.4%
%	1.0%	1.7%	2.1%
%	2.6%	-0.4%	-1.1%
%	-1.1%	-1.0%	5.5%
%	-1.9%	0.3%	0.3%
%	-1.7%	0.1%	0.6%
%	21.8%	5.7%	-17.0%
%	-19.7%	-11.7%	-0.3%
%	4.0%	1.2%	-2.0%
%	-9.2%	-4.7%	0.5%
%	-2.6%	-0.6%	-0.4%
%	0.4%	-0.9%	-0.1%

Hawaiian Electric Company, Inc.
Large Project GWh Sales, May 2005 Forecast

<u>Sector</u>	<u>In Svc Date</u>	<u>Billed 2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Ofc	Aug-08					1.0	1.5	1.5
Restrnt	Sep-02	1.5	1.7	1.7	1.7	1.7	1.7	1.7
Restrnt	Oct-04	0.1	0.7	0.7	0.7	0.7	0.7	0.7
Restrnt	Nov-04		0.7	0.6	0.6	0.6	0.6	0.6
Restrnt	Dec-04		0.7	1.0	1.0	1.0	1.0	1.0
Restrnt	Apr-05		0.2	0.3	0.3	0.3	0.3	0.3
Restrnt	May-05		0.5	0.7	0.7	0.7	0.7	0.7
Restrnt	Oct-05		0.2	0.5	0.5	0.5	0.5	0.5
Retail	Nov-02	4.5	4.7	5.1	5.1	5.1	5.1	5.1
Retail	Mar-04	2.6	3.0	3.1	3.1	3.1	3.1	3.1
Retail	Oct-04	1.0	3.9	3.9	3.9	3.9	3.9	3.9
Retail	Nov-04	0.8	2.8	2.8	2.8	2.8	2.8	2.8
Retail	Jul-05		0.7	2.7	2.7	2.7	2.7	2.7
Retail	Jul-05	4.1	3.2	0.0	0.0	4.1	5.4	5.4
Retail	Aug-05		0.7	1.8	1.8	1.8	1.8	1.8
Retail	Oct-05		0.4	1.8	1.8	1.8	1.8	1.8
Retail	Oct-05		0.4	1.8	1.8	1.8	1.8	1.8
Retail	Dec-05				0.3	1.3	1.3	1.3
Retail	Mar-06			2.9	3.5	3.5	3.5	3.5
Retail	Jul-06			0.9	1.9	1.9	1.9	1.9
Retail	Jul-07				4.2	8.3	8.3	8.3
Retail	Jul-08					3.2	6.3	6.3
Retail		16.2	17.0	18.7	18.7	18.7	18.7	18.7
Grocery	Oct-04	2.4	6.1	6.1	6.1	6.1	6.1	6.1
Grocery	Jan-08					2.1	2.1	2.1
Warehse	Aug-01	0.3	0.4	0.7	0.9	1.0	1.0	1.0
Warehse	Aug-04	0.3	0.6	0.6	0.6	0.6	0.6	0.6
Warehse	Aug-04	0.4	2.2	2.2	2.2	2.2	2.2	2.2
Warehse	Dec-04		1.9	2.0	2.0	2.0	2.0	2.0
Warehse	Feb-05	1.7	0.6	1.2	1.2	1.5	1.5	1.5
Warehse	Oct-05	3.8	3.7	4.3	4.4	4.4	4.4	4.4
Warehse	Jan-06			2.9	2.9	2.9	2.9	2.9
Educ		129.3	116.0	126.8	134.4	134.4	134.4	134.4
Educ	Jul-04	0.3	0.4	0.5	0.5	0.5	0.5	0.5
Educ	Aug-04	0.5	13.3	24.2	24.2	24.2	24.2	24.2
Educ	Aug-04	0.4	0.8	0.8	0.8	0.8	0.8	0.8
Educ	Sep-04		0.5	0.7	1.0	1.0	1.0	1.0
Educ	Aug-06			0.4	0.8	0.8	0.8	0.8
Educ	Jan-08					1.0	1.0	1.0
Educ	Sep-08					1.0	3.1	3.1
Educ	Sep-08					3.5	10.5	10.5
Health	Jul-04		0.4	0.4	0.4	0.4	0.4	0.4
Health	Mar-07						2.8	4.5

Hawaiian Electric Company, Inc.
Large Project GWh Sales, May 2005 Forecast

	<u>Sector</u>	<u>In Svc</u> <u>Date</u>	<u>Billed</u> <u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	Hotel	Jul-08					3.9	7.8	7.8
	Hotel	Jul-08					2.0	4.0	4.0
	Hotel	Jan-09						4.1	4.1
	Hotel	Jul-09						7.8	15.5
	Housing	Apr-04		(3.1)	(3.3)	(3.4)	(3.5)	(3.8)	(3.8)
	Housing	Jun-06		0.1	0.3	0.4	0.5	0.5	0.5
	Housing	Dec-05		0.3	2.0	2.5	2.5	2.5	2.5
	Housing	Jan-05		0.7	1.0	1.4	1.4	1.4	1.4
	Housing	Oct-05		3.4	4.8	9.7	9.7	9.7	9.7
	Housing	Dec-05		0.6	5.3	5.3	5.3	5.3	5.3
	Housing	Jan-06			0.3	0.4	0.4	0.4	0.4
	Housing	Dec-06			2.3	2.9	6.2	8.8	8.8
	Housing	Jun-06			4.0	8.7	8.7	8.7	8.7
	Housing	Jun-06			0.5	0.7	0.7	0.7	0.7
	Housing	Dec-06				1.0	1.2	1.2	1.2
	Housing	Jan-07			1.0	3.0	9.7	9.7	9.7
	Housing	Jun-06			5.0	8.0	13.2	13.2	13.2
	Svc/Amu	Jul-06			1.9	3.7	3.7	3.7	3.7
	Svc/Amu	Nov-05		0.2	1.4	1.4	1.4	1.4	1.4
	Svc/Amu	Jul-07				1.5	3.0	3.0	3.0
	Air Fac	Sep-06			0.2	1.0	1.2	1.2	1.2
	Manufg		10.2	11.7	12.1	12.4	12.4	12.4	12.4
	Manufg	Jul-04	5.7	7.3	7.3	7.3	7.3	7.3	7.3
	Manufg	Sep-04	6.6	3.7	3.7	3.7	3.7	3.7	3.7
	Manufg	Mar-04	4.8	8.5	8.5	8.5	8.5	8.5	8.5
	Manufg	Jan-06			(14.5)	(14.5)	(14.5)	(14.5)	(14.5)
	Pump	Oct-04		1.5	8.8	15.0	19.3	19.9	19.9
	Military				0.2	0.6	1.0	1.4	15.8
	Military						0.8	0.8	0.8
	Military					11.5	19.1	25.0	38.0
	Military				2.1	4.2	4.2	4.2	5.2
	Military			3.7	47.5	67.1	70.0	83.6	83.6
	Military		1.7	7.5	15.4	17.5	17.5	17.5	17.5
	Military		33.6	33.1	36.5	37.7	40.5	62.1	108.7
	Military			8.5	17.7	20.6	25.1	27.3	27.5
	Military							1.8	1.8
	Military								15.3
	Military			0.1	0.6	0.8	0.8	1.1	1.4
	Military			12.4	12.2	18.9	23.6	14.7	21.4
	Fd Proc	Oct-04	4.7	1.2	1.2	1.2	1.2	1.2	1.2
Total			238.8	287.2	408.2	513.8	600.3	684.1	795.2
Incremental YOY Change				48.4	121.0	105.6	86.5	83.8	111.1

Hawaiian Electric Company, Inc.
May 2005 BUSINESS SECTOR SALES FORECAST
OFFICES

2005

2004 Wx Norm, No DSM

Add: DSM
- Large New Projects
Base 2005

791.0 GWh
30.7
0.0
821.7

Growth in existing customers, wx norm
2005 Existing

0.5% 4.1

Other New/Terminations
Large Projects 2005

825.8
0.2% 1.6

None

Subtotal Large Projects

0.0

Total 2005 Wx Norm, No DSM

Less: Acquired DSM
2005 Wx Norm, No Future DSM

827.4 GWh
(32.0)
795.4

Forecasted 2004, Wx Norm, No Future DSM
% Change

790.0 GWh
0.7%

5.4

Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR SALES FORECAST
RETAIL (NON-FOOD)

2005

2004 Wx Norm Billed Sales		476.1
Add: 1996-04 Acquired DSM		10.1
Less:	(4.5)	
	(16.3)	
	(1.0)	
	(2.6)	
	(0.8)	
Subtotal Large Projects		(25.2)
Base 2004		461.0
Growth in existing customers, wx norm	1.0%	4.6
2005 Existing		465.6
Other New/Terminations	0.0%	0.0
Large Projects 2005		
	4.7	
	17.0	
	2.8	
	0.7	
	3.9	
	0.4	
	0.7	
	0.4	
	(1.1)	
	3.0	
Subtotal Large Projects		32.5
Total 2005 Wx Norm, No DSM		498.1 GWh
Less: Acquired DSM		(11.1)
2005 Wx Norm, No Future DSM		487.0
Billed 2004, Wx Norm, No Future DSM		476.1 GWh
% Change		2.3%

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	-1.1%	1.1%	1.5%	1.0%
Existing Growth				
New Growth				

* Existing and new growth adjusted for large projects and assumed in same proportions for weather normalized growth as billed.

Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR SALES FORECAST
RESTAURANTS

2005

2004 Wx Norm Billed Sales		244.9 GWh
Add: 1996-04 Acquired DSM		1.5
Less:		(1.5)
Base 2004		<u>244.9</u>
Growth in existing customers, wx norm	0.8%	2.0
Other New/Terminations	0.5%	1.2
Large Projects 2005		
	1.7	
	0.1	
	0.7	
	0.7	
	0.2	
	0.5	
	0.6	
	<u>0.2</u>	
Subtotal Large Projects		<u>4.7</u>
Total 2005 Wx Norm, No DSM		252.8 GWh
Less: Acquired DSM		(1.6)
2005 Wx Norm, No Future DSM		<u>251.2</u>
Billed 2004, Wx Norm, No Future DSM		244.9 GWh
% Change		2.6%

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	-0.3%	1.9%	1.8%	1.4%
Existing Growth				
New Growth				

* Existing and new growth adjusted for large projects and assumed in same proportions for weather normalized growth as billed.

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Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR SALES FORECAST
GROCERY

2005

2004 Wx Norm Billed Sales	203.7
Add: 1996-04 Acquired DSM	3.2
Less:	(2.4)
Base 2004	204.5

Growth in existing customers, wx norm	1.0%	2.0
2005 Existing		206.5
Other New/Terminations	0.0%	0.0

Large Projects 2005			0.018692
	6.1		
Subtotal Large Projects		6.1	

Total 2005 Wx Norm, No DSM	212.6 GWh
Less: Acquired DSM	(3.2)
2005 Wx Norm, No Future DSM	209.4

Billed 2004, Wx Norm, No Future DSM	203.7 GWh
% Change	2.8%

Billed Growth
Existing Growth
New Growth

1Q 05 vs 04 *		2004 vs 2003 *	
Billed	Wx Norm	Billed	Wx Norm
1.2%	3.5%	1.6%	1.1%

* Existing and new growth adjusted for large projects and assumed in same proportions for weather normalized growth as billed.

Hawaiian Electric Company, Inc.

Health	1997	1998	1999	2000	2001	2002	2003	2004	YTD 3/04	YTD 3/05	2005	2006	2007	2008	2009	2010
Billed	191.5	190.6	194.4	202.1	205.5	208.9	219.7	224.7	52.8	54.0	230.7	241.3	252.3	263.3	275.4	288.6
Wx Impact	<u>0.2</u> 191.3 1.1%	<u>-2.0</u> 192.6 0.7%	<u>-2.5</u> 196.9 2.2%	<u>-0.3</u> 202.4 2.8%	<u>1.3</u> 204.2 0.9%	<u>0.4</u> 209.5 2.6%	<u>2.2</u> 217.5 3.8%	<u>3.2</u> 221.5 1.8%	<u>0.9</u> 51.7	<u>-0.2</u> 54.2 4.8%	<u>0.0</u> 230.7 4.2%	<u>0.0</u> 241.3 4.6%	<u>0.0</u> 252.3 4.6%	<u>0.0</u> 263.3 4.4%	<u>0.0</u> 275.4 4.6%	<u>0.0</u> 288.6 4.8%
DSM	1.5	2	2.6	2.9	4.2	5.8	7.1	8.1	2.0	2.1	8.3	8.3	8.1	7.9	7.7	7.5
Wx Norm no DSM	192.8 1.7%	194.6 0.9%	199.5 2.5%	205.3 2.9%	208.4 1.5%	215.3 3.3%	224.6 4.3%	229.6 2.2%	53.7	56.3 4.7%	239.0 4.1%	249.6 4.4%	260.4 4.3%	271.2 4.1%	283.1 4.4%	296.1 4.6%
net GWH Increase								5.0			9.4	10.5	10.8	10.8	11.9	13.1
Total											0.4	0.4	0.4	0.4	0.4	0.4
DSM in 2008-2010 interpolated											<u>3.6</u> <u>4.0</u>	<u>3.6</u> <u>4.0</u>	<u>3.6</u> <u>4.0</u>	<u>3.6</u> <u>4.0</u>	<u>3.6</u> <u>6.3</u>	<u>3.6</u> <u>8.5</u>

Hawaiian Electric Company, Inc.

Hotels	1997	1998	1999	2000	2001	2002	2003	2004	YTD 3/04	YTD 3/05	2005	2006	2007	2008	2009	2010
Billed	433.8	414.1	405.6	416.5	411.6	408.8	416.1	427.1	100.8	97.5	422.5	424.7	443.2	482.1	549.4	629.4
Wx Impact	0.4	-4.3	-5.3	-0.6	2.5	0.8	4.1	6.1	1.8	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
	433.4	418.4	410.9	417.1	409.1	408.0	412.0	421.0	99.0	97.9	422.5	424.7	443.2	482.1	549.4	629.4
	-1.8%	-3.5%	-1.8%	1.5%	-1.9%	-0.3%	1.0%	2.2%		-1.1%	0.3%	0.5%	4.4%	8.8%	14.0%	14.6%
DSM	1.5	3.5	5.7	7.1	10.3	13.5	14.9	17.4	4.4	4.7	18.9	18.8	18.3	17.8	17.3	16.9
Wx Norm no DSM	434.9	421.9	416.6	424.2	419.4	421.5	426.9	438.4	103.4	102.6	441.4	443.5	461.5	499.9	566.7	646.3
% growth	-1.5%	-3.0%	-1.3%	1.8%	-1.1%	0.5%	1.3%	2.7%		-0.7%	0.7%	0.5%	4.1%	8.3%	13.4%	14.0%
GWH Increase								11.5			3.0	2.2	16.0	36.4	66.8	79.6
DSM in 2008-2010 interpolated																
											-5.9	-5.9	3.3	7.6	7.6	7.6
											-0.3	-0.3	4.0	4.8	2.2	3.0
													7.8	15.5	15.5	15.5
															7.8	15.5
															3.9	7.8
															4.1	4.1
															5.8	8.7
																11.6
total											-6.2	-6.2	10.0	30.0	57.7	69.1

Hawaiian Electric Company, Inc.
May 2005 Business Sales Sector
HOUSING

2005

2004 Wx Norm, No DSM		434.2 GWh
Add:DSM		10.1
Base 2004		<u>444.3</u>

Growth in existing customers, wx norm	0.3%	<u>1.3</u>
2005 Existing		445.6
Other New/Terminations	0.1%	0.4
Large Projects 2005		
New:	(3.10)	
	0.63	
	0.1	
	0.3	
	0.7	
	3.4	
	0.0	

Subtotal Large Projects	<u>2.0</u>
-------------------------	------------

Total 2005 Wx Norm, No DSM	448.0 GWh
Less: Acquired DSM	<u>(10.5)</u>
2005 Wx Norm, No Future DSM	437.5

2004, Wx Norm, No Future DSM	434.2 GWh	
% Change	0.8%	3.3

Hawaiian Electric Company, Inc.
BUSINESS SECTOR FORECAST
2005

SERVICES AND AMUSEMENT

2004 Wx Norm, no DSM	377.1	
Less:	0.2 (0.4)	
Base 2004	377.3	
2004 New Large Projects	0.2	
Existing customer growth, wx norm	1.9	0.5%
New customer growth, wx norm	1.7	0.4%
Base 2005	380.9	
Large Projects 2005		
<u>Carryover:</u>	0.4 (0.4)	
<u>New:</u>		
(11/05)	0.2	
Subtotal Large Projects	0.2	0.0%
Total 2005 Wx Norm, No DSM	381.1	GWh
Less: 1996-2004 DSM	4.5	
Total 2005 Wx Norm, Reduced by DSM	376.6	
Estimated 2004, Wx Norm, reduced by DSM	372.9	GWh
% Change	1.0%	

Notes:



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Hawaiian Electric Company, Inc.
Energy Consumption Forecast for Selected Military Accounts
May 2005 Forecast

BSC	Acct No	Customer	2000A	2001A	2002A	2003A	2004A	2005F	2006F	2007F	2003	2004	2005	2006	2007
			15.1	15.3	15.4	15.7	16.2	16.3	16.6	16.9	0.3	0.5	0.2	0.3	0.3
			49.7	50.6	50.1	49.4	49.5	50.0	50.7	51.7	-0.6	0.0	0.5	0.7	1.0
			0.0	0.0	3.5	8.8	9.0	9.4	9.6	9.8	5.4	0.2	0.3	0.2	0.2
			2.5	2.3	3.8	3.4	2.2	2.4	2.4	2.5	-0.4	-1.1	0.1	0.1	0.0
			17.7	16.3	8.4	17.3	20.7	20.3	20.3	20.3	7.9	3.4	-0.4	0.0	0.0
			11.8	12.5	11.5	11.9	11.2	11.4	10.0	10.2	0.4	-0.6	0.1	-1.4	0.2
			20.7	21.9	22.0	22.5	21.9	21.3	21.1	20.9	0.5	-0.6	-0.6	-0.2	-0.2
			13.6	14.2	14.2	13.8	13.4	14.8	15.2	15.7	-0.4	-0.4	1.3	0.4	0.5
			5.9	5.7	5.4	4.9	5.5	5.9	6.0	6.0	-0.5	0.6	0.4	0.1	0.0
			3.1	5.8	9.1	9.6	10.1	9.8	9.9	9.9	0.5	0.4	-0.2	0.0	0.0
			12.3	12.8	15.4	20.7	22.1	22.3	22.5	22.7	5.3	1.4	0.2	0.2	0.2
			145.6	151.0	149.3	150.3	150.7	156.1	203.9	226.9	0.9	0.4	7.5	45.7	23.0
			362.6	367.5	357.5	343.2	387.8	397.3	411.3	435.9	-14.3	44.8	9.4	14.0	24.6
			27.0	26.8	23.3	22.2	27.3	29.0	30.8	32.8	-1.1	5.1	1.7	1.8	2.0
			32.1	32.9	34.2	35.5	36.3	37.7	39.3	41.5	1.2	0.8	1.5	1.6	2.2
			28.6	27.2	22.3	16.9	13.4	23.2	25.5	25.7	-5.4	-3.4	9.8	2.3	0.2
			0.0	0.5	2.7	3.3	3.3	3.3	2.3	2.4	0.7	-0.1	0.0	-1.0	0.1
			43.0	44.5	44.4	44.7	42.2	41.3	38.1	38.5	0.3	-2.5	-0.8	-3.2	0.4
			38.4	38.8	42.3	45.0	44.4	45.9	46.5	47.1	2.7	-0.6	1.5	0.6	0.6
			1.9	2.0	1.9	1.9	1.8	1.8	1.8	1.8	0.0	-0.1	0.0	0.0	0.0
			19.9	20.5	22.5	26.4	28.3	28.0	28.0	28.0	3.8	1.9	-0.3	0.0	0.0
			111.5	111.9	112.6	113.3	107.6	120.7	136.1	147.1	0.7	-5.7	13.1	17.4	9.0
			111.7	115.7	118.7	121.1	122.8	126.8	133.9	138.2	2.4	1.7	4.0	7.1	4.3
			38.8	39.4	37.3	36.9	33.8	36.6	38.2	38.8	-0.4	-3.0	2.6	1.6	0.6
Large Customer Total (incl acq/future DSM) wx norm			1,113.4	1,136.8	1,128.8	1,138.7	1,181.8	1,233.7	1,322.0	1,391.3	10.0	43.0	51.9	88.4	89.2
Percent growth				2.1%	-0.7%	0.9%	3.8%	4.4%	7.2%	5.2%					
Less: Weather Impact (fcst dev using 2004 billed)			-1.6	7.2	2.3	11.5	17.3	17.3	17.3	17.3					
Large Cust Tot (incl acq/future DSM) weath norm			1,115.0	1,129.6	1,126.5	1,127.2	1,164.5	1,216.4	1,304.7	1,374.0					
Add: Acquired DSM (96-04 measures)			18.7	23.2	29.6	32.9	36.2	38.3	38.0	37.0					
Weather normalized sales, not red by DSM			1,133.7	1,152.8	1,156.1	1,160.1	1,200.7	1,254.7	1,342.7	1,411.0					
Percent growth				1.7%	0.2%	0.4%	3.5%	4.5%	7.0%	5.1%					
Total Military actual billed sales weath norm			1,151.9	1,163.7	1,156.2	1,157.6	1,200.8								
Percent growth				1.0%	-0.6%	0.1%	3.7%								
Other Military sales weath norm*			36.9	34.1	29.7	30.4	36.3	38.3	38.4	39.3					
Percent growth				-7.6%	-12.9%	2.4%	19.4%	5.4%	0.4%	2.2%					
Total Military sales wx norm, not red by DSM			1,170.6	1,186.9	1,184.8	1,190.5	1,237.0	1,293.0	1,381.1	1,450.3					
Less: Acquired DSM (96-04 measures)			-18.7	-23.2	-28.6	-32.9	-36.2	-38.3	-38.0	-37.0					
Weather normalized sales, red by acq DSM			1,151.9	1,163.7	1,156.2	1,157.6	1,200.8	1,254.7	1,343.1	1,413.3					
Percent growth				1.0%	-0.6%	0.1%	3.7%	4.5%	7.0%	5.2%					

* Forecast includes impact of housing privatization on Schedule J accounts.

Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR FORECAST
WAREHOUSE

2005

2004 Wx Norm Billed Sales		128.7
Add: 1996-04 Acquired DSM		1.1
Less:		(0.3)
		(0.3)
		(0.4)
		(1.7)
		(3.8)
Base 2004		<u>123.3</u>
Growth in existing customers, wx norm	2.5%	<u>3.1</u>
2005 Existing		126.4
Other New/Terminations	1.0%	1.2
Large Projects 2005		
	0.4	
	0.6	
	2.2	
	0.6	
	1.9	
	<u>3.7</u>	
Subtotal Large Projects		<u>9.4</u>
Total 2005 Wx Norm, No DSM		137.0 GWh
Less: Acquired DSM		<u>(1.1)</u>
2005 Wx Norm, No Future DSM		135.9
Billed 2004, Wx Norm, No Future DSM		128.7 GWh
% Change		5.6%

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	-1.8%	-0.5%	2.8%	2.0%
Existing Growth	-1.4%	-0.2%	3.3%	2.6%
New Growth	-0.4%	-0.3%	-0.5%	-0.6%

* Existing and new growth assume same proportions for weather normalized growth as billed.

Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR FORECAST
EDUCATION

2005

2004 Wx Norm Billed Sales		380.4
Add: 1996-04 Acquired DSM		11.7
Less:	(129.3)	
	(0.4)	
	(0.5)	
	(0.3)	
	0.0	
Subtotal Large Projects		(130.5)
Base 2004		261.6
Growth in existing customers, wx norm	2.5%	6.5
2005 Existing		268.1
Other New/Terminations	0.5%	1.3
Large Projects 2005		
	116.0	
	0.8	
	13.3	
	0.4	
	0.5	
Subtotal Large Projects		131.0
Total 2005 Wx Norm, No DSM		400.4 GWh
Less: Acquired DSM		(12.3)
2005 Wx Norm, No Future DSM		388.1
Billed 2004, Wx Norm, No Future DSM		380.4 GWh
% Change		2.0%

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	-1.2%	1.8%	1.4%	0.8%
Existing Growth	-0.7%	2.3%	1.0%	0.5%
New Growth	-0.5%	-0.5%	0.4%	0.4%

* Existing and new growth adjusted for large projects and assumed in same proportions for weather normalized growth as billed.

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Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR FORECAST
AIR FACILITIES

2005

2004 Wx Norm Billed Sales		118.8
Add: 1996-04 Acquired DSM		2.4
Base 2004		<u>121.2</u>
Growth in existing customers, wx norm	1.0%	1.2
2005 Existing		<u>122.4</u>
Other New/Terminations	0.5%	0.6
Total 2005 Wx Norm, No DSM		123.0 GWh
Less: Acquired DSM		<u>(2.4)</u>
2005 Wx Norm, No Future DSM		120.6
Billed 2004, Wx Norm, No Future DSM		118.8 GWh
% Change		1.5%

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	-3.8%	-1.7%	0.5%	0.2%
Existing Growth	-3.9%	-1.9%	0.4%	0.1%
New Growth	0.1%	0.2%	0.1%	0.1%

* Existing and new growth assume same proportions for weather normalized growth as billed.

Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR FORECAST
MANUFACTURING

2005

2004 Wx Norm Billed Sales		118.1
Add: 1996-04 Acquired DSM		0.6
Less:	(10.2)	
	(6.6)	
	(5.7)	
	(4.8)	
	(5.8)	
	(1.6)	
Subtotal Large Projects		(34.7)
Base 2004		84.0
Growth in existing customers, wx norm	7.0%	5.9
2005 Existing		89.9
Other New/Terminations	1.0%	0.8
Large Projects 2005		
	11.7	
	3.7	
	7.3	
	8.5	
	8.0	
	1.6	
Subtotal Large Projects		40.8
Total 2005 Wx Norm, No DSM		131.5 GWh
Less: Acquired DSM		(0.9)
2005 Wx Norm, No Future DSM		130.6
Billed 2004, Wx Norm, No Future DSM		118.1 GWh
% Change		10.6%

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	2.0%	5.8%	3.7%	2.5%
Existing Growth	5.8%	9.2%	3.9%	2.9%
New Growth	-3.8%	-3.4%	-0.2%	-0.4%

* Existing and new growth adjusted for large projects and assumed in same proportions for weather normalized growth as billed.

Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR FORECAST
PUMPING

2005

2004 Wx Norm Billed Sales		190.9	
Add: 1996-04 Acquired DSM		0.5	
Base 2004		<u>191.4</u>	
Growth in existing customers, wx norm	1.0%	1.9	
2005 Existing		<u>193.3</u>	
Other New/Terminations	0.5%	1.0	
Large Projects 2005			
	1.5		
Subtotal Large Projects		<u>1.5</u>	
Total 2005 Wx Norm, No DSM		195.8	GWh
Less: Acquired DSM		<u>(0.5)</u>	
2005 Wx Norm, No Future DSM		195.3	
Billed 2004, Wx Norm, No Future DSM		190.9	GWh
% Change		2.3%	

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	-3.2%	-0.7%	-6.3%	-6.8%
Existing Growth	-2.8%	-0.3%	-5.3%	-5.9%
New Growth	-0.5%	-0.5%	-0.9%	-0.9%

* Existing and new growth adjusted for large projects and assumed in same proportions for weather normalized growth as billed.

Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR FORECAST
FOOD PROCESSING

2005

2004 Wx Norm Billed Sales		69.8
Add: 1996-04 Acquired DSM		1.4
Less:	(4.7)	
Subtotal Large Projects		(4.7)
Base 2004		66.5
Growth in existing customers, wx norm	2.5%	1.7
Other New/Terminations	0.0%	0.0
Large Projects 2005		
	1.2	
Subtotal Large Projects		1.2
Total 2005 Wx Norm, No DSM		69.4 GWh
Less: Acquired DSM		(1.4)
2005 Wx Norm, No Future DSM		68.0
Billed 2004, Wx Norm, No Future DSM		69.8 GWh
% Change		-2.5%

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	-1.2%	1.6%	1.1%	0.7%
Existing Growth	-0.1%	2.4%	1.3%	1.0%
New Growth	-1.1%	-0.9%	-0.2%	-0.2%

* Existing and new growth adjusted for large projects and assumed in same proportions for weather normalized growth as billed.

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Hawaiian Electric Company, Inc.
MAY 2005 BUSINESS SECTOR FORECAST
OTHER

2005

2004 Wx Norm Billed Sales		78.7
Add: 1996-04 Acquired DSM		2.3
Base 2004		81.0
Growth in existing customers, wx norm	3.0%	2.4
Other New/Terminations	0.0%	0.0
Total 2005 Wx Norm, No DSM		83.4 GWh
Less: Acquired DSM		(2.3)
2005 Wx Norm, No Future DSM		81.1
Billed 2004, Wx Norm, No Future DSM		78.7 GWh
% Change		3.0%

	1Q 05 vs 04 *		2004 vs 2003 *	
	Billed	Wx Norm	Billed	Wx Norm
Billed Growth	-2.1%	1.6%	0.4%	-0.3%
Existing Growth	-0.9%	2.4%	1.2%	0.7%
New Growth	-1.2%	-0.9%	-0.8%	-0.9%

* Existing and new growth assume same proportions for weather normalized growth as billed.

Hawaiian Electric Company, Inc.

**BILLED GWHS BY BUILDING TYPE
WEATHER NORMALIZED
MARCH YTD**

<i>Building Type</i>	<i>2005</i>	<i>2004</i>	<i>Diff</i>	<i>% Chg</i>
Offices	189.5	187.4	2.1	1.1%
Restaurant	59.1	58.0	1.1	1.9%
Retail (Non Food)	113.9	112.7	1.2	1.1%
Grocery (Retail - Food)	50.3	48.6	1.7	3.5%
Warehouse	31.7	30.3	1.4	4.6%
Education	88.3	90.2	-1.9	-2.1%
Health	54.2	51.7	2.5	4.8%
Lodging (Hotels)	97.9	99.0	-1.1	-1.1%
Housing (Apt/Condo)	104.6	105.9	-1.3	-1.2%
Service/Amusement	86.1	87.1	-1.0	-1.1%
Air Facilities	28.4	28.9	-0.5	-1.7%
Manufacturing	34.5	23.8	10.7	45.0%
Pumping (incl BWS)	45.6	46.0	-0.4	-0.9%
Military/Base	289.1	285.2	3.9	1.4%
Food Processing	15.9	16.8	-0.9	-5.4%
Others *	19.3	19.0	0.3	1.6%
Grand Total	1,308.4	1,290.6	17.8	1.4%

* Includes adjustment to billed

Note: Includes adjustments for no bills, prior year in current year, and other large adjustments to billed sales.

Hawaiian Electric Company, Inc.
Commercial Mwh Sales Growth by Business Sector
Year to Date March 2005 vs 2004

	<u>2004</u>	<u>2005</u>	<u>05 - 04</u> <u>Difference</u>	<u>% Increase</u>	<u>% of Incr in</u> <u>Total Sales</u>
Offices					
Existing	174,702	172,271	-2,431		
Transfers	<u>1,557</u>	<u>1,856</u>	<u>299</u>		
subtotal	176,259	174,127	-2,132	-1.1%	
New Accounts	537	13,408	12,871		
Terminations	<u>13,608</u>	<u>1,340</u>	<u>-12,268</u>		
subtotal	<u>14,145</u>	<u>14,748</u>	<u>603</u>	<u>0.3%</u>	
Total	190,404	188,875	-1,529	<u>-0.8%</u>	37.0%
Restaurants					
Existing	53,926	52,074	-1,852		
Transfers	<u>951</u>	<u>1,846</u>	<u>894</u>		
subtotal	54,877	53,920	-957	-1.6%	
New Accounts	351	4,418	4,067		
Terminations	<u>3,817</u>	<u>437</u>	<u>-3,380</u>		
subtotal	<u>4,167</u>	<u>4,854</u>	<u>687</u>	<u>1.2%</u>	
Total	59,045	58,774	-270	<u>-0.5%</u>	6.5%
Retail (Non-Food)					
Existing	104,009	100,803	-3,206		
Transfers	<u>1,137</u>	<u>2,127</u>	<u>990</u>		
subtotal	105,146	102,930	-2,216	-1.9%	
New Accounts	557	9,069	8,512		
Terminations	<u>8,744</u>	<u>1,182</u>	<u>-7,562</u>		
subtotal	<u>9,301</u>	<u>10,251</u>	<u>950</u>	<u>0.8%</u>	
Total	114,447	113,181	-1,266	<u>-1.1%</u>	30.6%
Grocery (Retail-Food)					
Existing	47,636	46,141	-1,494		
Transfers	<u>261</u>	<u>384</u>	<u>122</u>		
subtotal	47,897	46,525	-1,372	-2.8%	
New Accounts	105	3,363	3,258		
Terminations	<u>1,504</u>	<u>188</u>	<u>-1,316</u>		
subtotal	<u>1,609</u>	<u>3,551</u>	<u>1,942</u>	<u>3.9%</u>	
Total	49,506	50,076	570	<u>1.2%</u>	-13.8%
Warehouse					
Existing	29,336	29,344	8		
Transfers	<u>323</u>	<u>368</u>	<u>45</u>		
subtotal	29,660	29,712	53	0.2%	
New Accounts	46	2,294	2,248		
Terminations	<u>1,447</u>	<u>147</u>	<u>-1,300</u>		
subtotal	<u>1,493</u>	<u>2,441</u>	<u>948</u>	<u>3.0%</u>	
Total	31,152	32,153	1,001	<u>3.2%</u>	-24.2%

Hawaiian Electric Company, Inc.
Commercial Mwh Sales Growth by Business Sector
Year to Date March 2005 vs 2004

	<u>2004</u>	<u>2005</u>	<u>05 - 04</u> <u>Difference</u>	<u>% Increase</u>	<u>% of Incr in</u> <u>Total Sales</u>
Education (Including UH)					
Existing	88,508	88,488	-120	-0.1%	
Transfers					
subtotal					
New Accounts	16	1,470	1,455		
Terminations	971	146	-825		
subtotal	987	1,616	630	0.7%	
Total	91,672	87,879	-3,793	-4.1%	91.8%
Health					
Existing	51,164	51,317	153		
Transfers	45	44	-1		
subtotal	51,209	51,361	152	0.3%	
New Accounts	631	2,241	1,610		
Terminations	784	551	-234		
subtotal	1,415	2,792	1,376	2.6%	
Total	52,625	54,153	1,528	2.9%	-37.0%
Hotel (Lodging)					
Existing	92,430	90,133	-2,296		
Transfers	713	734	21		
subtotal	93,143	90,868	-2,276	-2.3%	
New Accounts	120	6,302	6,182		
Terminations	7,553	193	-7,360		
subtotal	7,673	6,495	-1,178	-1.2%	
Total	100,816	97,363	-3,453	-3.4%	83.6%
Housing (Apt/Condo)					
Existing	106,326	102,058	-4,268		
Transfers	145	129	-16		
subtotal	106,471	102,187	-4,284	-4.0%	
New Accounts	128	1,567	1,439		
Terminations	1,826	387	-1,439		
subtotal	1,954	1,954	0	0.0%	
Total	108,425	104,141	-4,284	-4.0%	103.7%
Services/Amusement					
Existing	82,161	79,502	-2,659		
Transfers	848	1,194	345		
subtotal	83,009	80,695	-2,313	-2.6%	
New Accounts	677	4,625	3,948		
Terminations	5,086	539	-4,548		
subtotal	5,763	5,164	-599	-0.7%	
Total	88,772	85,859	-2,913	-3.3%	70.5%

Hawaiian Electric Company, Inc.
Commercial Mwh Sales Growth by Business Sector
Year to Date March 2005 vs 2004

	<u>2004</u>	<u>2005</u>	<u>05 - 04</u> <u>Difference</u>	<u>% Increase</u>	<u>% of Incr in</u> <u>Total Sales</u>
Air Facilities					
Existing	28,679	27,543	-1,135		
Transfers	<u>0</u>	<u>0</u>	<u>0</u>		
subtotal	28,679	27,543	-1,135	-3.9%	
New Accounts	<u>0</u>	<u>554</u>	<u>554</u>		
Terminations	<u>761</u>	<u>235</u>	<u>-526</u>		
subtotal	<u>761</u>	<u>789</u>	<u>28</u>	<u>0.1%</u>	
Total	29,440	28,333	-1,107	<u>-3.8%</u>	26.8%

Manufacturing

Existing	20,244	28,008	7,764		
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subtotal	20,398	30,173	9,774	40.2%	
New Accounts	<u>25</u>	<u>4,087</u>	<u>4,062</u>		
Terminations	<u>3,864</u>	<u>20</u>	<u>-3,844</u>		
subtotal	<u>3,889</u>	<u>4,107</u>	<u>218</u>	<u>0.9%</u>	
Total	24,287	34,279	9,993	<u>41.1%</u>	-241.8%

Pumping (Including BWS)

Existing	46,388	45,137	-1,251		
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subtotal	46,509	45,224	-1,285	-2.7%	
New Accounts	<u>1</u>	<u>216</u>	<u>215</u>		
Terminations	<u>422</u>	<u>8</u>	<u>-414</u>		
subtotal	<u>423</u>	<u>224</u>	<u>-200</u>	<u>-0.4%</u>	
Total	46,932	45,447	-1,485	<u>-3.2%</u>	35.9%

Military/Base

Existing	285,697	290,223	4,526		
Transfers	<u>0</u>	<u>88</u>	<u>88</u>		
subtotal	285,697	290,311	4,614	1.6%	
New Accounts	<u>0</u>	<u>1,328</u>	<u>1,328</u>		
Terminations	<u>1,321</u>	<u>0</u>	<u>-1,321</u>		
subtotal	<u>1,321</u>	<u>1,328</u>	<u>7</u>	<u>0.0%</u>	
Total	287,018	291,639	4,621	<u>1.6%</u>	-111.8%

Food Processing

Existing	15,540	14,392	-1,148		
Transfers	<u>110</u>	<u>101</u>	<u>-9</u>		
subtotal	<u>15,651</u>	<u>14,493</u>	<u>-1,157</u>	<u>-6.8%</u>	

Hawaiian Electric Company, Inc.
Commercial Mwh Sales Growth by Business Sector
Year to Date March 2005 vs 2004

	<u>2004</u>	<u>2005</u>	<u>05 - 04</u> <u>Difference</u>	<u>% Increase</u>	<u>% of Incr in</u> <u>Total Sales</u>
Others					
Existing	17,378	16,928	-450		
Transfers	<u>130</u>	<u>413</u>	<u>283</u>		
subtotal	17,508	17,340	-168	-0.8%	
New Accounts	105	1,769	1,665		
Terminations	<u>2,116</u>	<u>205</u>	<u>-1,911</u>		
subtotal	<u>2,221</u>	<u>1,975</u>	<u>-246</u>	<u>-1.2%</u>	
Total	19,729	19,315	-414	<u>-2.1%</u>	10.0%
Total					
Existing	1,246,213	1,231,997	-14,216		
Transfers	<u>6,586</u>	<u>11,676</u>	<u>5,090</u>		
subtotal	1,252,799	1,243,673	-9,126	-0.7%	
New Accounts	3,307	57,948	54,641		
Terminations	<u>55,292</u>	<u>5,644</u>	<u>-49,648</u>		
subtotal	<u>58,598</u>	<u>63,592</u>	<u>4,994</u>	<u>0.4%</u>	
Total	1,311,397	1,307,265	-4,132	<u>-0.3%</u>	100.0%

**HAWAIIAN ELECTRIC COMPANY, INC.
TOTAL COMMERCIAL ECONOMETRIC MODEL**

[total commercial sales] = A + B x [Non-Ag Jobs] + C x [Dummy Variable 94 & 95] + D x [Dummy Variable 1996 and thereafter]

where, A = -631,871 CONST
 B = 13137,227 E_NF
 C = 186972.688 dum9495
 D = 565865.966 dum96

	Non-Ag Jobs	Dummy Variable 1994-95	Dummy Variable 1996 & on	Actual Total Comm Kwh Sales	Fitted	% Increase in Fitted	Fitted vs.	
							Actual	Backcast
							Difference	
1976	291,2333	0	0	3,228,279	3,194,127		(34,152)	
1977	298,4333	0	0	3,317,534	3,288,715	3.0%	(28,819)	
1978	312,5417	0	0	3,475,649	3,474,060	5.6%	(1,589)	
1979	325,7667	0	0	3,581,750	3,647,800	5.0%	66,050	
1980	333,0417	0	0	3,673,459	3,743,373	2.6%	69,914	
1981	332,3000	0	0	3,708,001	3,733,629	-0.3%	25,628	
1982	325,6750	0	0	3,635,870	3,646,595	-2.3%	10,725	
1983	330,1000	0	0	3,683,675	3,704,728	1.6%	21,053	
1984	334,3833	0	0	3,827,476	3,760,999	1.5%	(66,477)	
1985	342,2750	0	0	3,867,730	3,864,673	2.8%	(3,057)	
1986	351,4250	0	0	4,054,496	3,984,879	3.1%	(69,617)	
1987	366,5250	0	0	4,186,517	4,183,251	5.0%	(3,266)	
1988	378,1167	0	0	4,368,532	4,335,533	3.6%	(32,999)	
1989	395,5500	0	0	4,537,097	4,564,559	5.3%	27,462	
1990	410,6750	0	0	4,735,429	4,763,260	4.4%	27,831	
1991	415,5917	0	0	4,772,391	4,827,851	1.4%	55,460	
1992	418,0917	0	0	4,865,665	4,860,694	0.7%	(4,971)	
1993	414,7917	0	0	4,876,518	4,817,341	-0.9%	(59,177)	
1994	411,5250	1	0	4,899,626	4,961,399	3.0%	61,773	
1995	408,2583	1	0	4,980,257	4,918,484	-0.9%	(61,773)	
1996	404,6250	0	1	5,145,370	5,249,645	6.7%	104,275	
1997	402,9333	0	1	5,172,096	5,227,422	-0.4%	55,326	
1998	400,7167	0	1	5,168,407	5,198,301	-0.6%	29,894	
1999	401,5000	0	1	5,206,716	5,208,592	0.2%	1,876	
2000	411,9667	0	1	5,345,603	5,346,095	2.6%	492	
2001	412,5000	0	1	5,408,704	5,353,101	0.1%	(55,603)	
2002	412,8667	0	1	5,439,688	5,357,918	0.1%	(81,770)	
2003	419,6667	0	1	5,494,122	5,447,251	1.7%	(46,871)	
2004	429,6417	0	1	5,585,913	5,578,295	2.4%	(7,618)	5,585,913
								1.7%

HAWAIIAN ELECTRIC COMPANY, INC.
TOTAL COMMERCIAL ECONOMETRIC MODEL

[total commercial sales] = A + B x [Non-Ag Jobs] + C x [Dummy Variable 94 & 95] + D x [Dummy Variable 1996 and thereafter]

where, A = -631,871 CONST
 B = 13137,227 E_NF
 C = 186972.688 dum9495
 D = 565865.966 dum96

	Non-Ag Jobs	Dummy Variable 1994-95	Dummy Variable 1996 & on	Actual Total Comm Kwh Sales	Fitted	% Increase in Fitted	Fitted vs. Actual Difference	Backcast
2005	439,0054	0	1	5,701,308	5,709,094	2.2%		5,709,094
2006	445,0880	0	1	5,781,216	5,789,112	1.4%		5,789,112
2007	450,8117	0	1	5,856,411	5,864,409	1.3%		5,864,409
2008	456,0223	0	1	5,924,863	5,932,954	1.2%		5,932,954
2009	461,2112	0	1	5,993,031	6,001,215	1.2%		6,001,215
2010	466,0897	0	1	6,057,121	6,065,393	1.1%		6,065,393

Hawaiian Electric Company, Inc.
COMMERCIAL (G,J,H,P) ANNUAL GWH SALES
(Weather Normalized)

Method	Billed 2004	2005	2006	2007	2008	2009	2010
Total Com'l Econmtric (Data 77-04) % Incr.	5585.9	5709.1 2.2	5789.1 1.4	5864.4 1.3	5933.0 1.2	6001.2 1.1	6065.4 1.1

ADJUSTMENTS

Weather Norm	79.9						
Transfer / Billing Adj	-3.6						
HMEC		-1.3	-2.1	-2.8	-3.7	-4.2	-4.7
Bill 54 HMEC		-1.1	-2.3	-3.4	-4.6	-5.7	-6.9
Energy Effic Improv		-13.1	-25.8	-42.0	-58.4	-72.8	-87.9
Acquired DSM Impact	-141.4	-149.1	-147.4	-142.8	-140.7	-138.1	-131.0
P Billing Adjustments							
Large Projects		48.2	139.7	212.7	265.4	328.6	436.7
Total Adjustments	-65.1	-116.4	-37.9	21.7	58.0	107.8	206.2

ADJUSTED MODEL RESULTS

Total Com'l Econmtric (Data 77-04) % Incr.	5520.8	5592.7 1.3	5751.2 2.8	5886.1 2.3	5991.0 1.8	6109.0 2.0	6271.6 2.7
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RECOMMENDED

Bus Sect Analysis % Incr.	5520.8	5584.6 1.2	5793.2 3.7	6006.7 3.7			
Forecast Div Analysis % Incr.	5520.8	5584.6 1.2	5793.2 3.7	6006.7 3.7	6113.7 1.8	6234.1 2.0	6400.0 2.7

Project: S:\EnergyServices\MKTFCST\heco05\econometrics\model\comm1.NDM
Model: csls
Dependent Variable: sales.commwh
Date: May 02, 2005
Time: 11:02 AM
Estimation Begin Date: 1976:1
Estimation End Date: 2010:1
Forecast Period End Date: 2010:1

Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	-631871.003	104730.180	-6.033	0%
econ.E_NF	13137.227	293.671	44.734	0%
dummy.dum9495	186972.688	41494.863	4.506	0%
dumy.dum96	565865.966	26671.826	21.216	0%

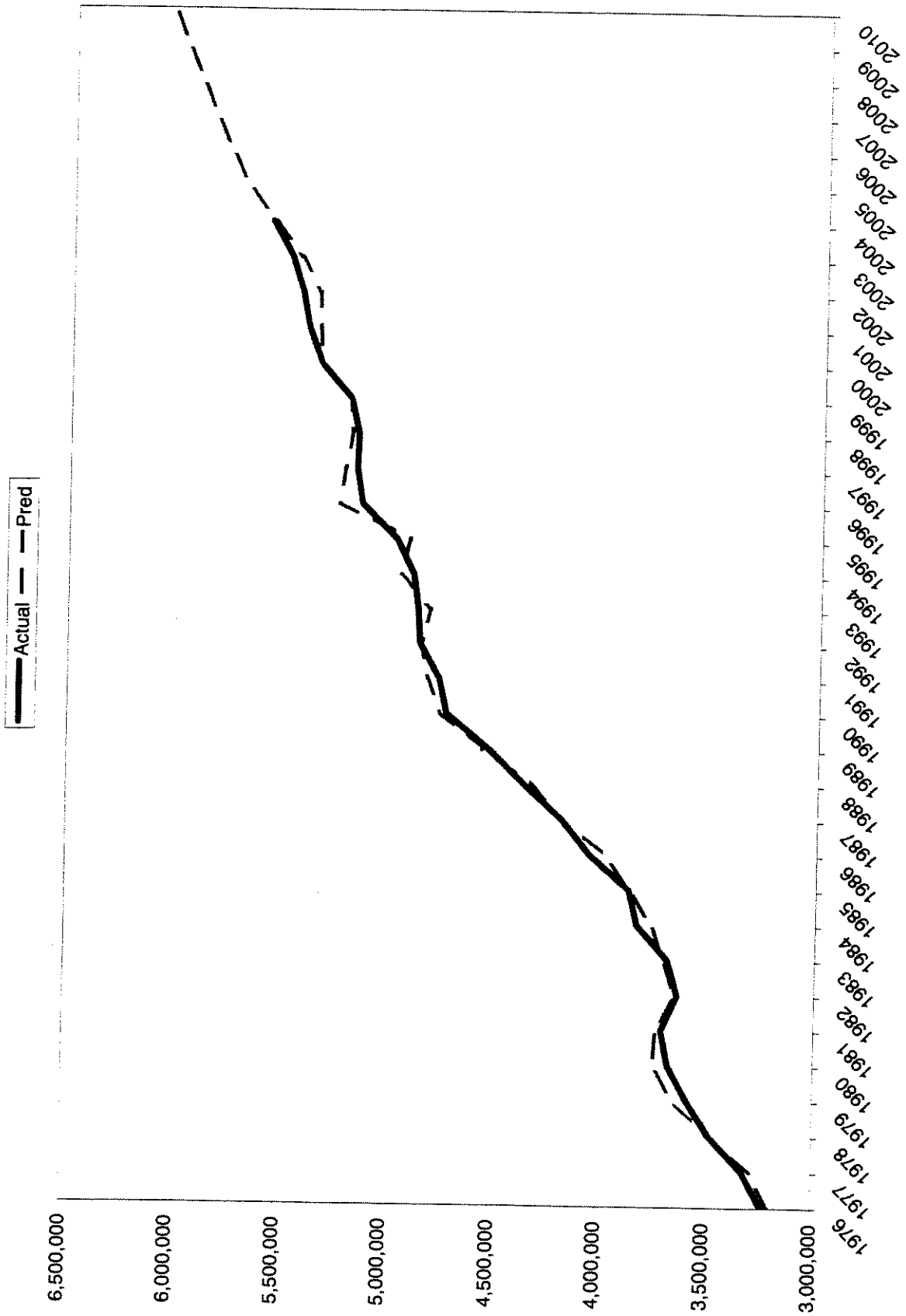
Regression Statistics

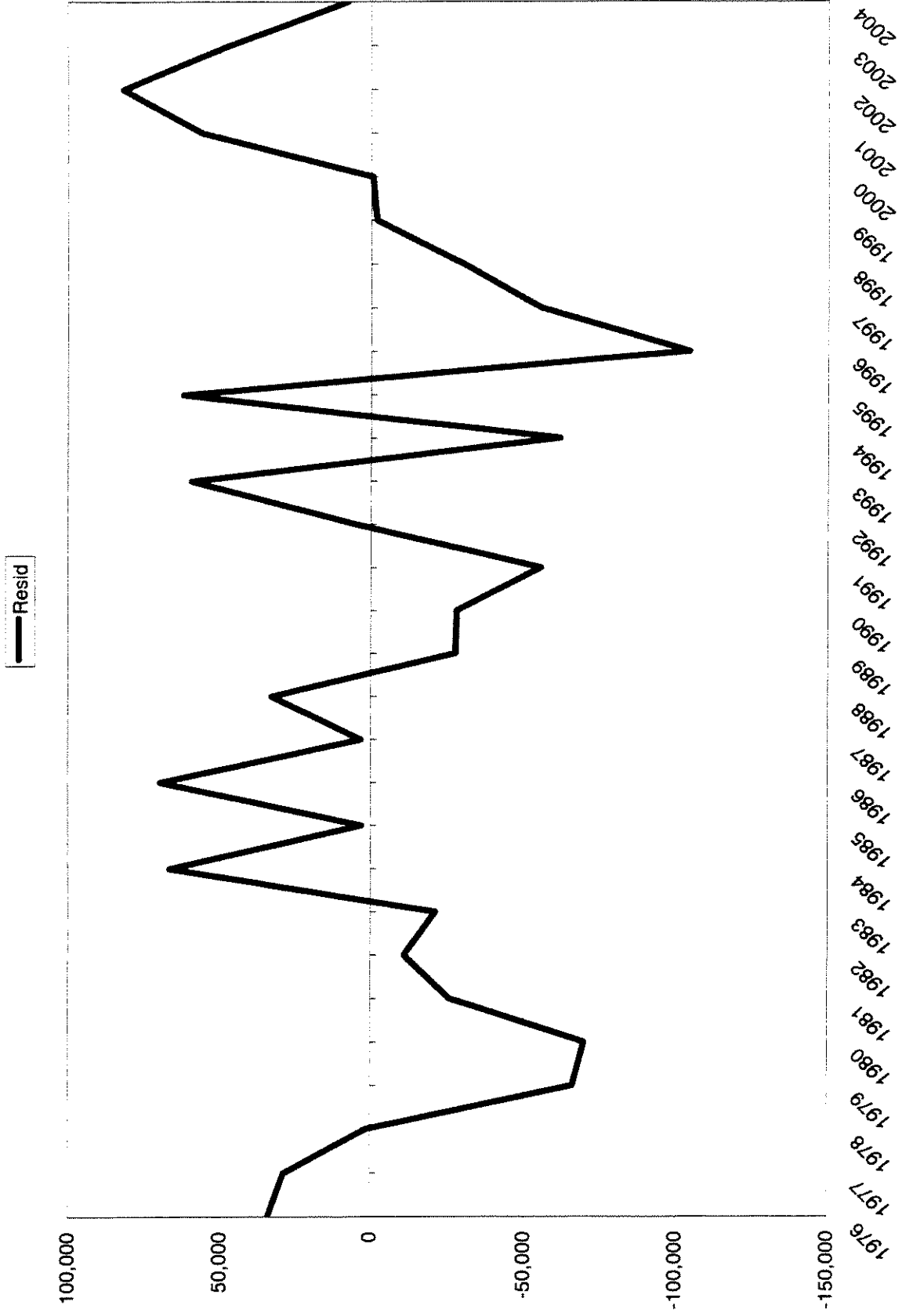
Iterations	1
Adjusted Observations	29
Deg. of Freedom for Error	25
R-Squared	0.996
Adjusted R-Squared	0.995
Durbin-Watson Statistic	1.649
Durbin-H Statistic	0.000
AIC	21.813
BIC	22.002
F-Statistic	2028.039
Prob (F-Statistic)	0.000
Log-Likelihood	-341.26
Model Sum of Squares	15932390283032
Sum of Squared Errors	65467139447
Mean Squared Error	2618685577.89
Std. Error of Regression	51173.09
Mean Abs. Dev. (MAD)	38466.03
Mean Abs. % Err. (MAPE)	0.86%
Ljung-Box Statistic	10.69
Prob (Ljung-Box)	0.058

Forecast Statistics

Forecast Observations	0
Mean Abs. Dev. (MAD)	0.00
Mean Abs. % Err. (MAPE)	0.00%
Avg. Forecast Error	0.00
Mean % Error	0.00%
Root Mean-Square Error	0.000
Theil's Inequality Coefficient	0.000
-- Bias Proportion	0.00%
-- Variance Proportion	0.00%
-- Covariance Proportion	0.00%

Variable	Coefficient	Mean	Elast
econ.E_NF	13137.227	375.611	1.099
dummy.dum9495	186972.688	0.069	0.003
dumy.dum96	565865.966	0.310	0.039





Data

Year	commwh	E NF	dum9495	dum96
1976	3,228,279.00	291.23	0.00	0.00
1977	3,317,534.00	298.43	0.00	0.00
1978	3,475,649.00	312.54	0.00	0.00
1979	3,581,750.00	325.77	0.00	0.00
1980	3,673,459.00	333.04	0.00	0.00
1981	3,708,001.00	332.30	0.00	0.00
1982	3,635,870.00	325.68	0.00	0.00
1983	3,683,675.00	330.10	0.00	0.00
1984	3,827,476.00	334.38	0.00	0.00
1985	3,867,730.00	342.28	0.00	0.00
1986	4,054,496.00	351.43	0.00	0.00
1987	4,186,517.00	366.53	0.00	0.00
1988	4,368,532.00	378.12	0.00	0.00
1989	4,537,097.00	395.55	0.00	0.00
1990	4,735,429.00	410.68	0.00	0.00
1991	4,772,391.00	415.59	0.00	0.00
1992	4,865,665.00	418.09	0.00	0.00
1993	4,876,518.00	414.79	0.00	0.00
1994	4,899,626.00	411.53	1.00	0.00
1995	4,980,257.00	408.26	1.00	0.00
1996	5,145,370.00	404.63	0.00	1.00
1997	5,172,096.00	402.93	0.00	1.00
1998	5,168,407.00	400.72	0.00	1.00
1999	5,206,716.00	401.50	0.00	1.00
2000	5,345,603.00	411.97	0.00	1.00
2001	5,408,704.00	412.50	0.00	1.00
2002	5,439,688.00	412.87	0.00	1.00
2003	5,494,122.00	419.67	0.00	1.00
2004	5,585,913.00	429.64	0.00	1.00
2005		439.01	0.00	1.00
2006		445.09	0.00	1.00
2007		450.81	0.00	1.00
2008		456.02	0.00	1.00
2009		461.21	0.00	1.00
2010		466.09	0.00	1.00

Variable	Mean	StdDev	Min	Max	CorrYX	Units	Definition
commwh	4,491,123.103	755,878.331	3,228,279.000	5,585,913.000	1.000		
E_NF	375.611	43.101	291.233	429.642	0.959		
dum9495	0.069	0.258	0.000	1.000	0.164		
dum96	0.310	0.471	0.000	1.000	0.757		

Corr

	commwh	E NF	dum9495	dum96
commwh	1.000	0.959	0.164	0.757
E_NF	0.959	1.000	0.220	0.556
dum9495	0.164	0.220	1.000	-0.183
dum96	0.757	0.556	-0.183	1.000

Coef

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Variable	Coefficient	StdErr	T-Stat	P-Value	Units	Definition
CONST	-631871.003	104730.180	-6.033	0.00%		Constant term
econ.E_NF	13137.227	293.671	44.734	0.00%		
dummy.dum9495	186972.688	41494.863	4.506	0.02%		
dummy.dum96	565865.966	26671.826	21.216	0.00%		

MStat

Regression Statistics		Forecast Statistics	
Iterations	1	Forecast Observations	0
Adjusted Observations	29	Mean Abs. Dev. (MAD)	0.00
Deg. of Freedom for Error	25	Mean Abs. % Err. (MAPE)	0.00%
R-Squared	0.996	Avg. Forecast Error	0.00
Adjusted R-Squared	0.995	Mean % Error	0.00%
Durbin-Watson Statistic	1.649	Root Mean-Square Error	0.000
Durbin-H Statistic	#NA	Theil's Inequality Coefficient	0.0000
AIC	21.813	-- Bias Proportion	0.00%
BIC	22.002	-- Variance Proportion	0.00%
F-Statistic	2028.039	-- Covariance Proportion	0.00%
Prob (F-Statistic)	0.0000		
Log-Likelihood	-341.26		
Model Sum of Squares	15932390283032		
Sum of Squared Errors	65467139447		
Mean Squared Error	2618685577.89		
Std. Error of Regression	51173.09		
Mean Abs. Dev. (MAD)	38466.03		
Mean Abs. % Err. (MAPE)	0.86%		
Ljung-Box Statistic	10.69		
Prob (Ljung-Box)	0.0578		

Err

Year	Actual	Pred	Resid	%Resid	StdResid
1976	3,228,279.000	3,194,127.367	34,151.633	1.06%	0.667
1977	3,317,534.000	3,288,715.401	28,818.599	0.87%	0.563
1978	3,475,649.000	3,474,059.777	1,589.223	0.05%	0.031
1979	3,581,750.000	3,647,799.602	-66,049.602	-1.84%	-1.291
1980	3,673,459.000	3,743,372.927	-69,913.927	-1.90%	-1.366
1981	3,708,001.000	3,733,629.484	-25,628.484	-0.69%	-0.501
1982	3,635,870.000	3,646,595.356	-10,725.356	-0.29%	-0.210
1983	3,683,675.000	3,704,727.585	-21,052.585	-0.57%	-0.411
1984	3,827,476.000	3,760,998.707	66,477.293	1.74%	1.299
1985	3,867,730.000	3,864,673.322	3,056.678	0.08%	0.060
1986	4,054,496.000	3,984,878.948	69,617.052	1.72%	1.360
1987	4,186,517.000	4,183,251.073	3,265.927	0.08%	0.064
1988	4,368,532.000	4,335,533.428	32,998.572	0.76%	0.645
1989	4,537,097.000	4,564,559.083	-27,462.083	-0.61%	-0.537
1990	4,735,429.000	4,763,259.640	-27,830.640	-0.59%	-0.544
1991	4,772,391.000	4,827,851.005	-55,460.005	-1.16%	-1.084
1992	4,865,665.000	4,860,694.072	4,970.928	0.10%	0.097
1993	4,876,518.000	4,817,341.223	59,176.777	1.21%	1.156
1994	4,899,626.000	4,961,398.971	-61,772.971	-1.26%	-1.207
1995	4,980,257.000	4,918,484.029	61,772.971	1.24%	1.207
1996	5,145,370.000	5,249,645.383	-104,275.383	-2.03%	-2.038
1997	5,172,096.000	5,227,421.574	-55,325.574	-1.07%	-1.081
1998	5,168,407.000	5,198,300.721	-29,893.721	-0.58%	-0.584
1999	5,206,716.000	5,208,591.549	-1,875.549	-0.04%	-0.037
2000	5,345,603.000	5,346,094.523	-491.523	-0.01%	-0.010
2001	5,408,704.000	5,353,101.044	55,602.956	1.03%	1.087
2002	5,439,688.000	5,357,918.028	81,769.972	1.50%	1.598
2003	5,494,122.000	5,447,251.170	46,870.830	0.85%	0.916
2004	5,585,913.000	5,578,295.008	7,617.992	0.14%	0.149
2005		5,701,308.284			
2006		5,781,216.484			
2007		5,856,410.925			
2008		5,924,862.827			
2009		5,993,030.650			
2010		6,057,120.916			

Elas

Variable	Coefficient	Mean	Elast	Units	Definition
E_NF	13137.227	375.611	1.099		
dum9495	186972.688	0.069	0.003		
dum96	565865.966	0.310	0.039		

BX

Year	Pred	CONST	E NF	dum9495	dum96
1976	3,194,127.367	-631,871.003	3,825,998.371	0.000	0.000
1977	3,288,715.401	-631,871.003	3,920,586.404	0.000	0.000
1978	3,474,059.777	-631,871.003	4,105,930.780	0.000	0.000
1979	3,647,799.602	-631,871.003	4,279,670.605	0.000	0.000
1980	3,743,372.927	-631,871.003	4,375,243.931	0.000	0.000
1981	3,733,629.484	-631,871.003	4,365,500.487	0.000	0.000
1982	3,646,595.356	-631,871.003	4,278,466.359	0.000	0.000
1983	3,704,727.585	-631,871.003	4,336,598.588	0.000	0.000
1984	3,760,998.707	-631,871.003	4,392,869.710	0.000	0.000
1985	3,864,673.322	-631,871.003	4,496,544.325	0.000	0.000
1986	3,984,878.948	-631,871.003	4,616,749.951	0.000	0.000
1987	4,183,251.073	-631,871.003	4,815,122.077	0.000	0.000
1988	4,335,533.428	-631,871.003	4,967,404.431	0.000	0.000
1989	4,564,559.083	-631,871.003	5,196,430.086	0.000	0.000
1990	4,763,259.640	-631,871.003	5,395,130.643	0.000	0.000
1991	4,827,851.005	-631,871.003	5,459,722.008	0.000	0.000
1992	4,860,694.072	-631,871.003	5,492,565.075	0.000	0.000
1993	4,817,341.223	-631,871.003	5,449,212.227	0.000	0.000
1994	4,961,398.971	-631,871.003	5,406,297.286	186,972.688	0.000
1995	4,918,484.029	-631,871.003	5,363,382.344	186,972.688	0.000
1996	5,249,645.383	-631,871.003	5,315,650.420	0.000	565,865.966
1997	5,227,421.574	-631,871.003	5,293,426.611	0.000	565,865.966
1998	5,198,300.721	-631,871.003	5,264,305.759	0.000	565,865.966
1999	5,208,591.549	-631,871.003	5,274,596.586	0.000	565,865.966
2000	5,346,094.523	-631,871.003	5,412,099.561	0.000	565,865.966
2001	5,353,101.044	-631,871.003	5,419,106.082	0.000	565,865.966
2002	5,357,918.028	-631,871.003	5,423,923.065	0.000	565,865.966
2003	5,447,251.170	-631,871.003	5,513,256.208	0.000	565,865.966
2004	5,578,295.008	-631,871.003	5,644,300.046	0.000	565,865.966
2005	5,701,308.284	-631,871.003	5,767,313.321	0.000	565,865.966
2006	5,781,216.484	-631,871.003	5,847,221.522	0.000	565,865.966
2007	5,856,410.925	-631,871.003	5,922,415.962	0.000	565,865.966
2008	5,924,862.827	-631,871.003	5,990,867.864	0.000	565,865.966
2009	5,993,030.650	-631,871.003	6,059,035.687	0.000	565,865.966
2010	6,057,120.916	-631,871.003	6,123,125.953	0.000	565,865.966

YHat

Year	Actual	Pred	Upper	Lower	Sigma
1976	3,228,279.000	3,194,127.367	3,308,920.676	3,079,334.058	114,793.309

Hawaiian Electric Company, Inc.
SCHEDULE "F" ANNUAL GWH SALES

Method	Index	Billed 2004	2005	2006	2007	2008	2009	2010
Linear (Data 76-04) % Incr.	0.9543	37.5	36.5 -2.7	36.2 -0.8	36.0 -0.6	35.7 -0.8	35.4 -0.8	35.1 -0.8
Exponential (Data 76-04) % Incr.	0.9621	37.5	36.4 -2.9	35.7 -1.9	35.1 -1.7	34.5 -1.7	33.9 -1.7	33.3 -1.8

Box Jenkins (Data 76-04) % Incr.	0.9624	37.5	36.3 -3.2	35.5 -2.2	34.7 -2.3	34.0 -2.0	33.2 -2.4	32.5 -2.1
Winters - Linear (Data 76-04) % Incr.	0.9615	37.5	36.4 -2.9	35.9 -1.4	35.3 -1.7	34.7 -1.7	34.2 -1.4	33.6 -1.8
Winters - Exponential (Data 76-04) % Incr.	0.9621	37.5	36.3 -2.9	35.5 -2.0	34.8 -0.8	34.0 -0.8	33.3 -0.7	32.6 -0.7

Hawaiian Electric Company, Inc.
MAY 2005 SALES FORECAST

	<u>Recd</u> <u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Sales Forecast No Adjustments							
Residential	2,151.3	2,193.9	2,239.3	2,268.2	2,307.4	2,344.6	2,368.0
% incr		2.0%	2.1%	1.3%	1.7%	1.6%	1.0%
Commercial	5,543.9	5,584.6	5,793.2	6,006.7	6,113.7	6,234.1	6,400.0
% incr		0.7%	3.7%	3.7%	1.8%	2.0%	2.7%
Sched F	37.6	37.6	37.6	37.6	37.6	37.6	37.6
% incr		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	7,732.8	7,816.1	8,070.1	8,312.5	8,458.7	8,616.3	8,805.6
% incr		1.1%	3.2%	3.0%	1.8%	1.9%	2.2%

Leap Year Impacts

Residential	0.0	0.0	0.0	6.3	0.0	0.0
Commercial	0.0	0.0	0.0	16.7	0.0	0.0
Sched F	0.0	0.0	0.0	0.1	0.0	0.0
Total	0.0	0.0	0.0	23.1	0.0	0.0

Utility CHP Impact

Commercial	0.0	-1.1	-5.5	-9.2	-13.2	-16.3
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3rd Party CHP Impact

Commercial	-1.2	-4.7	-8.7	-12.7	-16.7	-20.7
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Hawaiian Electric Company, Inc.
MAY 2005 SALES FORECAST

	<u>Recd</u> <u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Sales Forecast with Adjustments, No Future DSM							
Residential	2,151.3	2,193.9	2,239.3	2,268.2	2,313.7	2,344.6	2,368.0
% incr		2.0%	2.1%	1.3%	2.0%	1.3%	1.0%
Commercial	5,543.9	5,583.4	5,787.4	5,992.5	6,108.5	6,204.2	6,363.0
% incr		0.7%	3.7%	3.5%	1.9%	1.6%	2.6%
Sched F	37.6	37.6	37.6	37.6	37.7	37.6	37.6
% incr		0.0%	0.0%	0.0%	0.3%	-0.3%	0.0%
Total	7,732.8	7,814.9	8,064.3	8,298.3	8,459.9	8,586.4	8,768.6
% incr		1.1%	3.2%	2.9%	1.9%	1.5%	2.1%

Future DSM

Residential		-4.7	-20.9	-39.6	-58.4	-77.1	-95.8
% incr							
Commercial		-10.7	-40.6	-70.5	-100.4	-130.3	-160.2
% incr							
Sched F		0.0	0.0	0.0	0.0	0.0	0.0
% incr							
Total		-15.4	-61.5	-110.1	-158.8	-207.4	-256.0
% incr							

Recommended Sales Forecast with Future DSM

Residential	2,151.3	2,189.2	2,218.4	2,228.6	2,255.3	2,267.5	2,272.2
% incr		1.8%	1.3%	0.5%	1.2%	0.5%	0.2%
Commercial	5,543.9	5,572.7	5,746.8	5,922.0	6,008.1	6,073.9	6,202.8
% incr		0.5%	3.1%	3.0%	1.5%	1.1%	2.1%
Sched F	37.6	37.6	37.6	37.6	37.7	37.6	37.6
% incr		0.0%	0.0%	0.0%	0.3%	-0.3%	0.0%
Total	7,732.8	7,799.5	8,002.8	8,188.2	8,301.1	8,379.0	8,512.6
% incr		0.9%	2.6%	2.3%	1.4%	0.9%	1.6%

Source: Pr0510.xls (from rsalesfcst 04-22-05.xls), Pcml0510.xls (Forecast Division Analysis), pMay05fctdsm.xls, and P_CHP_FCST 3-9-05.xls.

HECO CHP Forecast - With Utility Participation
Annual Ramped Impacts

	Utility										3rd Party						Total			
	Sys	CHP kW	A/C kW	Total kW	Impact on ¹		CHP MWh Gen ²	Sys	kW	Impact on ³		Sys	kW	Impact on ⁴						
					Cust kW	Cust MWh				Cust kW	Cust MWh			Cust kW	Cust MWh					
2005	0	0	0	0	0	0	1	300	-273	-1,206	1	300	-273	-1,206						
2006	6	3,850	550	4,400	-501	-1,101	7,715	1	500	-728	-4,729	7	4,900	-1,229	-5,830					
2007	5	3,500	500	4,000	-956	-5,495	38,450	1	500	-1,183	-8,715	6	4,500	-2,139	-14,210					
2008	6	4,200	600	4,800	-1,502	-9,218	64,527	1	500	-1,638	-12,700	7	5,300	-3,140	-21,918					
2009	6	4,200	600	4,800	-2,048	-13,165	92,158	1	500	-2,093	-16,686	7	5,300	-4,141	-29,851					
2010	4	2,800	400	3,200	-2,412	-16,349	114,428	1	500	-2,548	-20,673	5	3,700	-4,960	-37,022					

Note: Assumes utility CHP System load factor of 75.1% and 3rd party availability of 91.0%

¹ Sales Level. Cumulative Avoided A/C kW. Cust kW assumes 91% availability. Sales assumes 75.1% load factor, calculated using 8,760 hours.

² Sales Level. Cumulative CHP kW x 75.1% x hours.

³ Sales Level. Cumulative 3rd party CHP kW. Sales calculated using 8,760 hours.

⁴ Sales level. Cumulative Avoided A/C or 3rd party CHP kW.

⁵ Net-to-system level. Cumulative Avoided A/C or 3rd party CHP kW.

Peak kW w/ T&D loss of 4.864%			Utility CHP Gen MWh w/ T&D loss
Utility ⁵	3rd party ⁵	Total ⁵	
0	-287	-287	0
-527	-765	-1,292	8,109
-1,005	-1,243	-2,248	40,416
-1,578	-1,722	-3,301	67,826
-2,153	-2,200	-4,353	96,870
-2,535	-2,678	-5,214	120,276

Hawaiian Electric Company, Inc.
Comparison of May 2005 Sales Forecast vs. June 2004 Sales Update

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
May 2005 Sales Forecast (Reduced by Future DSM)							
Residential	2,151.3	2,189.2	2,218.4	2,228.6	2,255.3	2,267.5	2,272.2
% incr		1.8%	1.3%	0.5%	1.2%	0.5%	0.2%
Commercial	5,543.9	5,572.7	5,746.8	5,922.0	6,008.1	6,073.9	6,202.8
% incr		0.5%	3.1%	3.0%	1.5%	1.1%	2.1%
Sched F	37.6	37.6	37.6	37.6	37.7	37.6	37.6
% incr		0.0%	0.0%	0.0%	0.3%	-0.3%	0.0%
Total	7,732.8	7,799.5	8,002.8	8,188.2	8,301.1	8,379.0	8,512.6
% incr		0.9%	2.6%	2.3%	1.4%	0.9%	1.6%

June 2004 Sales Update (Reduced by Future DSM)